

# Current History

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# Current History

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# Current History

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*In this issue our analysts survey recent economic and political trends in eight countries of Latin America. Noting that "The Mexican economy is one of the most successful developing economies in the world," our first article analyzes Mexico's economic and political problems today, and points out that "Mexico today stands at a crossroads in her political evolution."*

## Mexico at the Crossroads

BY MARTIN C. NEEDLER

*Professor of Political Science, University of New Mexico*

OF ALL THE COUNTRIES of the world, the term "developing country" appears to apply most aptly to Mexico. Indeed, it is not possible to understand either Mexican economics or politics without a developmental perspective. People visiting Mexico for the first time might conclude that it is a land of hopeless poverty and squalor, on the one hand, and of straightforward dictatorship, on the other; and there is evidence to support each of these perceptions. But since the days when a mass of poverty-stricken Indians lived in servitude under perpetual political-military dictatorship, tremendous changes have occurred in Mexico, changes which clearly signify improvement in both economic and political dimensions. The Mexico of today must be measured from this starting point and discussed in relative and not absolute terms.

The Mexican economy is one of the most successful developing economies in the world. Over the last 20 years, real gross national product has averaged approximately a 5 per cent annual increase, and in more recent years performance has been somewhat better, with annual growth rates of 7 or 8 per cent not

uncommon. Thus the rate of economic growth is clearly keeping ahead of Mexico's very substantial rate of population increase of about 3.5 per cent per year. Moreover, inflation has remained moderate, and the Mexican peso (whose international exchange value has remained constant since 1954) is regarded as one of the world's harder currencies.

This economic performance has been characterized by diversification and the growth of industry, so that, unlike many Latin American economies, the Mexican economy is not subject to wide up-and-down swings on the basis of fluctuations in the international prices of a few commodities.

Nor has this rate of economic growth been bought at the price of the surrender of the Mexican economy to foreign interests, or of the shelving of questions of social justice in the interest of economic growth. Foreign investment is carefully regulated; some areas of the economy are reserved to Mexican interests or to public enterprise only; and—in principle, at least—foreign enterprise in Mexico is supposed to operate only in collaboration with Mexican majority control. The government generally takes a pro-labor position in

industrial disputes; the minimum wage is revised upwards by about 15 per cent every two years; and a law under which workers share in the profits of the enterprise is in effect. At the same time, government programs to benefit agriculturalists exist. For over 40 years, Mexican governments have pursued a policy of distributing land to landless peasants free of charge.

The social indicators have kept pace with the economic ones in showing steady improvement. Thus, life expectancy at birth has steadily risen to its current 63 years, and the literacy rate now stands at about 77 per cent for adult Mexicans.

### PROBLEM AREAS

This is not to say that all is well in Mexico. In fact, dissenting voices have always been raised to point out that Mexico is falling short of meeting its social and economic goals fully. The three problem areas most frequently alluded to today are "marginality," urbanization and land.

According to the "marginality" thesis, there is a segment of the population which has not been reached by the social and economic advances made, a segment for which standards of living have remained constant and which has therefore been falling further and further behind rising national norms, a segment which, moreover, continues to be subject to discrimination, exploitation and official neglect. The so-called marginal Mexicans are predominantly Indians in remote villages who still go barefoot, whose diets lack any animal proteins, who are illiterate and indeed are not fluent in Spanish. If they work for wages, these are pitifully low and far below the national minimum; if they grow their own products, these are bought by middlemen at ludicrously low prices. These marginal Mexicans have no redress, because the national legal and administrative system does not reach them and they do not participate in politics even to the extent of voting, so that their voices are unheard and their needs unattended to.

The plight of these marginal Mexicans

should be borne in mind, so that their existence is not forgotten in the concentration on the impressive performance of national statistical averages. At the same time, it is fair to note that there is now some conscious government effort to deal with their problems; and although the number of marginal Mexicans seems to remain about the same—perhaps as many as 10 million—this means they constitute a decreasing percentage of a steadily growing national population, which now numbers some 50 million.

This increase in population, while it helps put in perspective the problem of marginality, at the same time lies at the root of the two other major social and economic problems being faced by Mexico—urbanization and land shortage.

Not only is the population of urban areas growing through natural increase, but a substantial movement of people from rural areas to the cities is taking place. This has led to a series of problems typical of urban overcrowding. Greater Mexico City, whose population has reached 8.5 million, according to the 1970 census, presents these problems in their most acute form.

The inadequate capacity of Mexico City's chaotic surface transportation has been relieved somewhat by the construction of a subway system, opened to passengers in 1970, whose successful completion was regarded as an impressive achievement of the governor of the Federal District, Licenciado Alfonso Corona del Rosal. Less satisfactory were the district government's attempts to deal with the problem of lower class housing, which had in fact led to the downfall of Corona del Rosal's predecessor, Ernesto Uruchurtu, after a popular outcry against his high-handed actions in bulldozing shanty-town settlements.

Despite the government's attempt to encourage the development of industry outside the Federal District, the increase in industrial smoke emissions and automobile exhaust fumes in the geographic circumstances of Mexico City has created a substantial problem of atmospheric pollution.

But the greatest of the problems posed for the country by urbanization, in the capital



and elsewhere, are probably unemployment and underemployment. Despite the growth in the economy, not enough productive jobs are being created to absorb the half million joining the labor force each year and, at the same time, to reduce the backlog of disguised unemployment—the street vendors, sellers of lottery tickets and guardians of parked cars.

Not all the natural increase in the rural population has been absorbed by the flow to the cities and there is a steady increase in those legally entitled to receive land under the government's land reform program. However, it has become increasingly difficult to find land subject to expropriation under the law, and the most recent distributions have been of land less suitable for agriculture, which had formerly been used for grazing cattle. Perhaps eventually, as the movement to the cities continues, the rural population will stabilize or even decline. In the short run, however, the problem remains that of finding land for those qualified to receive it.

Landholdings doubtless exist that are far above the maximum size allowed by the land reform law and that are therefore subject to expropriation. To some extent, as opponents of the regime charge, these are held by people whose political influence has exempted them from the application of the laws. More commonly, on paper the land is held in small parcels in the names of a host of relatives and friends, but is actually owned and operated as a single unit. If no other way can be found to appease the land hunger of the peasants, it may be that sooner or later the land reformers will have to confront this problem.

### THE POLITICAL SYSTEM

It is in the political rather than the economic arena that the Mexican system seems to be facing its most important challenges at present, however. Mexico's political system, like her economic system, is unusual and distinctive but also, at least until recently, successful. Like the economic system, it is being subjected to new strains deriving from social and demographic changes but the challenges to the system are coming not from the urban

poor and the landless peasant, but rather from students and the growing middle class.

For 40 years, Mexico has been ruled by successive incarnations of an all-embracing political party which regards itself as the living embodiment of the great Mexican Revolution of 1910. The *Partido Revolucionario Institucional* (P.R.I.), as it is currently called, is made up of labor unions, organizations of peasants who have received land under the land reform program, and elements of the urban poor and the urban middle class. Its leadership comes primarily from professional politicians and career bureaucrats. Because of its all-inclusive nature, the mystique of the revolution it claims to represent, the patronage and propaganda resources of a perpetual ruling party, and the general success of government policy, the P.R.I. normally has no difficulty in securing large electoral majorities.

The elections in which those majorities are secured are today conducted freely and fairly on the whole. In earlier years, there was rigging of elections and harassment of the opposition. But from the middle 1940's to the middle 1960's, the opposition was too weak to mount an effective challenge to the P.R.I.'s monopoly of power even at the local level and, especially under Adolfo López Mateos (1958–1964), the system seemed to have evolved to one of open electoral competition.

### THE GROWTH OF DISSENT

In rural and less developed areas, the party's majorities remain overwhelming, and in many such areas, opposition parties do not even bother to run candidates. In the more developed areas and in the larger urban centers, however, dissent has grown with the growth of the middle class and the university student population.

At the beginning of the term of President Gustavo Díaz Ordaz (1964–1970), P.R.I. president Carlos Madrazo attempted to recognize the development of a more sophisticated urban electorate by democratizing the party internally and holding primary elections to pick the party's candidates for local office. The old-line party bosses counterattacked, however, and Madrazo was removed from

his post (he was subsequently killed in an airplane crash). But the problem would not go away, and in 1967 there were extensive student demonstrations, with middle class support, against the imposition from Mexico City of the party's candidate for governor of the state of Sonora. The steam-rolling of the local opposition led to a backlash in the following year's election for the mayoralty of Hermosillo, the state capital, and the victory of the opposition candidate of the *Partido de Acción Nacional* (P.A.N.).

Instead of accommodating the growing forces of dissent, in the Díaz Ordaz period the P.R.I. took an increasingly repressive line. In Baja California Norte, the most developed state by economic criteria, the local elections of 1968 were annulled on the grounds that extensive fraud had been committed, although sceptics are sure that the real reason was that the P.A.N. had won majorities in the mayoral elections in Tijuana and Mexicali.

The climax of the policy of repression came in late 1968 in Mexico City. The government was especially anxious that the Olympic Games scheduled to take place in the capital at the end of the year go off without incident. Events were complicated by the beginning of the intra-party struggle focusing on the presidential succession of 1970, and by memories of the student-led near-revolution that had taken place in France earlier in the year. A confrontation between students and police originating in a trivial incident was steadily escalated by police repression and student resistance to the point where it became a massive student and middle class campaign which included demands for the release of "political prisoners" (the government denied that there were in fact any political prisoners), the removal of the head of the riot police, and the repeal of the "Law of Social Dissolution," which was the catch-all anti-subversive statute used against the more troublesome political dissenters.

The climax to the confrontation came at the beginning of October in the Plaza of the Three Cultures in Tlatelolco, a district of Mexico City. There a massive peaceful

demonstration was deliberately attacked by tanks and soldiers using automatic weapons in what can only be described as a massacre. While estimates of those killed vary, they certainly numbered in the hundreds, and they included residents of the area who were not even taking part in the demonstration. This almost incredible act of unprovoked brutality hardly seemed possible in the Mexico that had been regarded as a steadily developing democracy with a skillful and enlightened leadership.

In the wave of disgust that followed, disaffection with the regime became more extensive than it had been for decades and Díaz Ordaz became the most unpopular President Mexico had had in at least 30 years. Alienation grew, especially among the middle class, the students and the intellectuals, and one of Mexico's great men of letters, Octavio Paz, resigned his post as Ambassador to India in protest.

The process by which the ruling party selects its presidential candidate is essentially a process of consultation among leading figures, interest groups, former Presidents and party leaders. The person selected is then formally proposed by one of the three sectoral organizations of the party (labor, agrarian and "popular") and nominated by the party convention, but it is the informal consultations that are critical.

The person to emerge from this process in 1970 was Luis Echeverría Álvarez, then serving as Minister of the Interior. Echeverría was not regarded as being personally involved in the Tlatelolco massacre, and, in fact, it was the reaction to the events at Tlatelolco that finally ruined the chances of his major rival for the nomination, Federal District Governor Alfonso Corona del Rosal. In many ways, Echeverría represents the quintessence of the type of career bureaucrat-politician that now rules Mexico. Born in the Federal District, his entire career has been in administrative positions, and he had never run for elective office before being nominated for the presidency. A young looking 47, Echeverría's ready smile and lightly tinted glasses made his campaign photographs look

rather like advertisements in an optometrist's window.

The major opposition party, the *Partido de Acción Nacional*, nominated a young intellectual, Efraín González Morín, the son of a former party leader and presidential candidate. The result of the July election was as usual a foregone conclusion and Echeverría won, with just under 12 million of the 14 million votes cast. Echeverría was endorsed also by two minor parties, the *Partido Popular Socialista* or Popular Socialists, and the P.A.R.M., the Authentic Party of the Mexican Revolution. He and González Morín were the only two candidates.

It is unclear whether the reaction against Díaz Ordaz's repression of the student movement had an electoral effect. The 14 per cent of the vote won by the P.A.N. candidate was higher than the 11 per cent won by the party in 1964, but this was consistent with the slow but steady long-term growth in party support over the years which has paralleled the growth in the middle class to which the party mainly appeals; the P.A.N.'s presidential candidates had won 7.8 per cent of the vote in 1952 and 9.4 per cent in 1958.

The student opposition to the P.R.I. had campaigned for electoral abstention as a demonstration of disapproval, and it is true that the abstention rate was up to 36 per cent, about 5.5 per cent greater than it had been in 1964. At the same time, the 1970 election was the first one in which 18-year-olds were eligible to vote, and it may be that the higher rate of abstention was due in part to more abstentionism among less interested younger voters. Nevertheless, it appears likely that at least some of the abstentionism was deliberate and politically motivated.

In the past, much of the ability of the political system to survive has been due to its adaptability. Clearly, in order to play its role of conciliator and integrator of diverse interests, after Tlatelolco the P.R.I. had to move back towards the center, to try to meet the demands of the student opposition and remove the basis for the grievances of the middle class.

This did in fact begin to take place.

Echeverría tried to make clear without actually disowning Díaz Ordaz publicly that he had had nothing to do with the massacre and did not approve of it. In the pattern of cooptation so typical of the Mexican single-party system, various student leaders were invited to join the P.R.I. and were given government jobs. In July, 1970, Díaz Ordaz called Congress into special session and it repealed the Law of Social Dissolution; many of those whom the students had called "political prisoners," who had been convicted under its provisions, were released from jail. It is worth noting, however, that Díaz Ordaz did not back down all the way. Although the Law of Social Dissolution was repealed, it was replaced by a more carefully drawn law which nevertheless could still be used for making political arrests; and although student leaders convicted under the law were released from jail, the university student federation claimed that some political prisoners were still being held.

It remained unclear whether student and middle class opposition on the left would be able to find acceptable channels within the political system, or whether the abstentionist campaign prefigured the growth of widespread extra-system opposition. González Morín campaigned on the campuses with some success, but his party's orientation was conservative on too many economic questions to have great appeal to students. The small Popular Socialist party had long been regarded askance as a tame opposition that was in reality a satellite of the P.R.I. What support it had had among students seemed likely to diminish further with the death in November, 1968, of Vicente Lombardo Toledano, the brilliant Marxist theoretician who had been the party's founder and leader. The death in October, 1970, of Lázaro Cárdenas, the hero of the left who had been the great innovating President of the 1930's, seemed to remove the last figure of the older generation who might have channeled leftist student sentiment into political activity within the system.

It has long been observed that a sort of pendular movement seems to operate in gov-

ernment policy and presidential successions in Mexico. That is, Presidents normally attempt to follow a line of policy acceptable to all of the range of interests that constitute the governing coalition. When a President strays too far to one side or the other, pressures build up and someone is chosen for the next presidential term who is able to remedy this lack of balance in the policies of his predecessor. Thus Cárdenas (1934–1940) was a vigorous leftist President who engaged in extensive revolutionary programs such as land reform and the nationalization of foreign enterprises. His successor, Manuel Avila Camacho (1940–1946), was an undramatic, more moderate figure who slowed the pace of government activity without repudiating any of Cárdenas's policies. The rather colorless Avila Camacho was replaced by the young and dynamic Miguel Alemán (1946–1952), who inaugurated a dramatic program of industrialization and the encouragement of private business activity. In reaction against the notorious corruption associated with the economic expansionism of the Alemán era, the succeeding President, Adolfo Ruiz Cortines (1952–1958), laid heavy stress on public probity and administrative order, but at the cost of seeming overly cautious and unwilling to innovate. Adolfo López Mateos (1958–1964) presented a contrasting picture of youth and vigor, and instituted a range of new programs that made him the most "leftist" President since Cárdenas, or, as López Mateos himself put it, "on the far left within the constitution." The more conservative orientation of Díaz Ordaz represented a reaction to the policies of López Mateos.

It appears that the pendulum is still working properly. Echeverría, who took office on December 1, 1970, has indicated that he will not follow the repressive policies of his predecessor but will instead take a conciliatory line toward the demands for greater political freedom of the students and the middle class.

### MEXICO AT THE CROSSROADS

But if in the short run the pendular movement that corrects deviations from a generally acceptable "middle road" of policy seems

still to be working, in a longer run perspective it can be seen that Mexico today stands at a crossroads in her political evolution. The revolutionary single party is well adapted to operating a system of political tutelage, a "guided democracy" which mobilizes the masses and introduces them to the forms of modern political participation. It has certainly been well adapted to the conception and implementation of programs of economic development. And, like any government, the Mexican regime has always held force in reserve to be used against insurrection and opposition that resorted to violent means.

As Mexico has developed economically and politically under the auspices of the P.R.I., however, an opposition has grown up which does not resort to conspiracy and rebellion, like typical opposition movements of the Mexican past. A modern middle class has developed, and the number of students enrolled in universities has expanded greatly, so that a basis has been created for sophisticated opposition forces to the right and left of the P.R.I. which are willing and able to function within the rules of the electoral system. Although in the overall national picture these elements do not constitute a large proportion of the population, they are likely to be able to win local majorities in the more developed areas from time to time.

It did not take a great deal of civic virtue for the P.R.I. to abide by the results of elections so long as the party was assured of an  
(Continued on page 116)

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*"The success of Peru's military junta in maintaining its unity and mobilizing public opinion on its behalf is impressive. In breaking with the 'forty families' which have traditionally run the country and in initiating myriad changes, Velasco has offered something to almost every sector of society, except the oligarchy and opposition party leaders."*

## Peru's Military Populism

BY GEORGE W. GRAYSON, JR.

*Associate Professor of Government, College of William and Mary*

VIVA EL PERÚ! Viva la Revolución! Viva el General Velasco! These cries filled the air as 200,000 jubilant, shouting Peruvians swarmed into Lima's 400-year-old Plaza de Armas on October 3, 1970, to celebrate the second anniversary of the nation's military junta, which ousted President Fernando Belaúnde Terry on October 3, 1968.<sup>1</sup> The celebration, one of the most spectacular ever staged in the "city of kings," drew citizens from all walks of life and from all parts of this Andean country of 13 million. Quechua-speaking peasants from Ancash province paraded beside copper miners from Arequipa; well-dressed Communists from Lima rubbed elbows with nuns from Chimbote; and San Marcos University students exchanged greetings with the snaggletoothed president of a northern agricultural cooperative.

On the reviewing stand, in front of a giant picture of the Indian revolutionary, Tupac Amaru, sat President Juan Velasco Alvarado

and the 15 generals and admirals who constitute his Cabinet. Their contagious grins, animated gestures and unrestrained exclamations demonstrated extreme satisfaction with the "spontaneous" event, which required weeks of planning by Interior Minister General Armando Artola. It was clear that their government, widely regarded abroad as a progressive military dictatorship that could promote rather than retard social change, also enjoyed broad-based support at home. For the junta, the demonstration marked the "unbreakable union of the People and the Armed Forces."<sup>2</sup>

During an hour and 45 minute speech to the excited masses, the 60-year-old Velasco emphasized his preference for action rather than rhetoric and insisted that in two years his government "had done much more for Peru than had all previous regimes."<sup>3</sup> Having dissolved Congress upon reaching power, the "Revolutionary Government of the Armed Forces" had indeed inundated the public with reform decrees.

After six days in office, it seized the oil fields and refinery of the International Petroleum Company (I.P.C.), a Standard Oil of New Jersey subsidiary whose claim to own the 416,000-acre La Brea y Pariña fields—not merely to operate them as a concession—had long fired controversy in Peruvian politics.<sup>4</sup> Although these reserves will be exhausted in five or six years, they have been

<sup>1</sup> For an appraisal of the junta's first year in power, see my "Peru's Military Government," *Current History*, February, 1970, pp. 65-72, 114.

<sup>2</sup> República Peruana, Oficina Nacional de Información, *Discurso pronunciado por el Señor General de División E. P. Presidente de la República del Perú, Juan Velasco Alvarado, en la gran manifestación popular del 3 de octubre de 1970* (Lima: "El Peruano," 1970), p. 3.

<sup>3</sup> *Ibid.*, p. 13.

<sup>4</sup> Richard Goodwin presents the history of the I.P.C. in Peruvian politics in his excellent "Letter from Peru," *The New Yorker*, May 17, 1969.

efficiently run by the government since the expropriation. But the I.P.C. case represents more than a simple economic question for Velasco's government, which resists both "Communist" and "capitalist" labels. As he said on the night of October 3, 1968:

The International Petroleum Company no longer exists. The Revolution banished it forever from Peru. Today, the oil is ours. We have recovered our dignity and our sovereignty.<sup>5</sup>

An agrarian reform followed eight months after the I.P.C. takeover. In 1965 and 1966, the Peruvian army had fought guerrillas of the Leftist Revolutionary Movement, which opened fronts in the central and southern Andes. Successful in crushing the insurgents, the military concluded that only the distribution of rural land—0.8 per cent of the landholders owned 83 per cent of Peru's arable surface—and other structural reforms would satisfy peasant grievances and forestall an eventual revolution.<sup>6</sup> Quoting Tupac Amaru's dictum, "Campesino, the patrón will no longer feed off your poverty," Velasco began turning this theory into practice on June 24, 1969, with Decree-law No. 17716. Through November, 1970, the government had expropriated 3.25 million hectáres.

Next came a new code regulating water rights. It stipulates that lakes, streams and rivers must be used for the welfare of all, not for the exclusive benefit of a few large landowners. The code also reasserts Peru's 200-mile maritime jurisdiction.

The government has reorganized the nation's banking system. The *Banco Central*

*de Reserva*, which regulates Peru's money supply, is completely under state control. Further, the *Banco de la Nación*, which handles most government transactions, operates the foreign exchange draft market, and now finances the \$250 million annual export of fishmeal, has recently purchased three of Peru's commercial banks—*Banco Popular*, *Banco Internacional*, and *Banco Continental*. The nation's largest commercial bank, the *Banco de Crédito del Perú*, remains in private hands.<sup>7</sup>

## EDUCATIONAL REFORM

To attack the chaotic state of the country's highly politicized universities—in 1958, eight institutions of higher learning contained 31,000 students; ten years later there were 32, with an enrollment of 123,000—the government decreed a university reform in February, 1969. The objectives of this decree were to replace traditional *facultades* with United States-style departments, to curb student participation in decision-making, and to unify control over university affairs through a National Peruvian University Council. Despite a good deal of resistance, progress has been made toward realizing these aims.

No evidence exists, however, that additional goals—recruiting lower class youngsters into the highly elitist universities, stimulating research, establishing a general studies program for all students, and reshaping the curriculum to train more engineers and agronomists and fewer lawyers and literature teachers—have been achieved. Authorities have taken a hard line on student political activity, and the campuses remain quiet. While sympathetic with many of the junta's reforms, the students, like most civilians, have yet to discover what role if any they will play in the revolution.

A special commission, constituted by the government, has published a 200-page report urging that Peru's educational system be restructured. The proposals, which include preschool programs, extension of primary schooling to nine years, increased vocational training, attention to "drop-outs" and slow learners, improved teacher training and

<sup>5</sup> República Peruana, *op. cit.*, p. 20.

<sup>6</sup> A comprehensive analysis of the agrarian reform appears in three numbers of the *Andean Air Mail & Peruvian Times*, November 14, 1969, December 5, 1969, and January 2, 1970. For analyses of the changes in the Peruvian armed forces, see Víctor Villanueva's *¿Nueva mentalidad militar en el Perú?* (Lima: Librería-Editoria Juan Mejía Baca, 1969); and Luigi R. Einaudi's *Peruvian Military Relations with the United States* (Santa Monica: The RAND Corporation, 1970).

<sup>7</sup> Detractors of the government have condemned the exceptionally high price paid for the *Continental*, whose major stockholder was the Chase Manhattan Bank. A desire to acquire the bank and its excellent Peruvian management without scaring off potential foreign investors may well explain the generous payment. See *The Andean Air Mail & Peruvian Times*, September 4, 1970, p. 1.

greater classroom emphasis on *Peruanidad* (national consciousness), have not yet been enshrined in a decree-law. In proposing a new educational system, the commission failed to establish priorities or to demonstrate how the proposed changes would relate to other social and economic reforms. Nor did it explain how the changes would be financed.

With Parliament dissolved, the President moved in December, 1969, further to enhance executive authority by bringing the judiciary under his domination. He appointed five new solicitors general and seven new judges, including a new Chief Justice, to Peru's 16-member Supreme Court. In the same decree, he created a National Council of Justice, dominated by presidential appointees, to name lower court magistrates.

There is no open struggle for the massive power flowing to the junta. All its members voice commitment to the sweeping changes unveiled by Velasco, a *cholo* who grew up in a one-room house with a dirt floor in Piura. However, on questions of expropriation and state control of the economy, "radical" and "moderate" wings of the Cabinet are evident. Associated with the former are General Fernández Maldonado, Minister of Mines and Energy, Admiral Dellepiane, Minister of Commerce and Industry, and General Meza Cuadra, Minister of Communications and Transport; the latter includes Foreign Minister Mercado Jarrín, Prime Minister Montagne, and Finance Minister Morales Bermúdez. Because military officers holding administrative posts draw extra pay not earned by line duty officers, the potential for friction between military "politicians" and military "professionals" exists.<sup>8</sup>

## THE ECONOMIC SITUATION

Early in 1970, few observers took seriously the Ministry of Economy and Finance's estimate that in 1970 the gross national product would rise by 7 per cent, a figure that was scaled down to 6.1 per cent in the wake

of the May 31, 1970, earthquake which struck Ancash province, killing 50,000 persons. After all, Peru's economy had failed to grow as fast as the population (3.1 per cent annually) during 1968 and 1969. It now seems that the 6.1 per cent estimate was close to the mark, and that growth took place amid relatively little inflation; the consumer price index advanced only 4 per cent during the first nine months of 1970.

The momentum of the Peruvian boomlet<sup>9</sup> springs from the export sector. The value of exports climbed 24 per cent for the first eight months of 1970, reaching \$99 million in August alone. The most important items were copper, coffee, sugar, and fishmeal, the marketing of which has been taken over by the state. Meanwhile, imports, which also shot up in 1970, attained a value of \$63 million in August, leaving the country with a \$265-million trade surplus for the first eight months of 1970. These earnings enabled the government to increase foreign reserves from \$60 million in October, 1968, to \$460 million in October, 1970. The reserves should allow Peru to pay the \$137.4 million due this year on her \$1.1-billion external debt.

Other indices of economic advancement are a 16 per cent increase in power consumption by 600 Lima industries in September, 1970, a 3 per cent rise in private bank deposits between July and September, and a sharp increase in the supply of money in private hands. This increased liquidity stems largely from the May, 1970, exchange reform which prohibits Peruvians from taking money abroad, holding funds in foreign banks, or possessing foreign currency.

No figures are available, but it is reasonable to assume that a marked upswing in road building and other public projects has put some people to work in Lima and Callao. Still, the number of new job-hunters each year (130,000) outpaces the creation of new positions, and one out of three potential workers remains unemployed or underemployed in the greater Lima area. A long-term solution such as population control is not discussed by Peru's generals and admirals.

Lack of investment poses the greatest

<sup>8</sup> Einaudi, *op. cit.*, p. 26.

<sup>9</sup> A description of the boomlet appears in the *Andean Air Mail & Peruvian Times*, November 6, 1970, p. 3.

economic challenge of all. The I.P.C. expropriation, the junta's shrill nationalism, and ever-changing (or nonexistent) investment guidelines have struck fear into the hearts of foreign capitalists. Because of the tremendous outlay required, mining, which generated 56 per cent of Peru's export earnings in 1969, needs the greatest influx of capital. Yet it is precisely in this sector that the government most fears external domination.

In September, 1969, the junta compelled companies with mineral concessions to file schedules for developing their prospects. With some modifications, these plans were accepted. In August, 1970, the Ministry of Mines and Energy decided that the companies were not moving fast enough and issued a second decree, requiring firms with large- and medium-sized non-producing concessions to alter their work schedules to put their deposits into production as soon as possible. Too, they had to present proof by the end of the year that financing had been secured for their project. Because of previous negotiations, the new statute did not cover the Cuajone mine near Arequipa, for which the Southern Peru Copper Company seeks financing.

If the new requirements were a means of returning concessions to the state without precipitating a sticky expropriation procedure, they succeeded. Unable to comply with them, the American Smelting and Refining Company forfeited its Michiquillay holding; the Lampa Mining Company lost the Berenguela prospect; and the Cerro de Pasco Corporation was forced to yield Antamina, Tintaya, Chalcombamba and Ferrobamba. Where the government will obtain the \$1 billion needed to bring in the lapsed concessions remains a mystery, although attention now focuses on the Japanese, who have sent two trade missions to Lima.

Besides what the *Peruvian Times* calls a "get-on-with-it-or-get-out" attitude toward concessionaires, two other factors have discouraged private mining investment. The junta has consistently backed the demands of the Communist-dominated General Con-

federation of Peruvian Workers (C.G.T.P.) against the mine operators, even when the miners resorted to illegal strikes. And a new mining code has been promised that will give workers participation in both the management and the equity of mining companies.

Mining is not the only investment-starved area of the economy. A new Industrial Law, presented last July, has caused many potential industrial investors to squeeze their pocketbooks. The statute sets priorities for industrial development:

1. Basic industries, such as iron, steel, chemicals and cement;
2. Essential consumer goods and products required for key economic activities such as agriculture, fishing, energy, industry and communications;
3. Non-essential consumer goods and complementary materials for productive activities; and
4. Luxury items.

In accord with these priorities, the government has promised incentives through reduced tariffs, tax-free investment opportunities and accelerated depreciation allowances. Incentives are also provided for the five most highly qualified companies in each investment group (except luxuries) and for industries that locate outside of Lima and Callao, where Peru's manufacturing is now concentrated.

Although exceptions cloud the law in vagueness, the reform implies that all first priority industries should eventually be state-owned. In other categories, mixed-enterprises—those associating foreign and Peruvian capital—are encouraged. And after the original investment and a reasonable profit have been obtained, Peruvian participation must reach 66.66 per cent in those firms established exclusively with foreign capital. Final action on the investment rules must await the Andean Common Market's general policy on foreign capital.

Of great concern to potential investors is the Industrial Communities law, the most unique of the junta's reforms. Under the new organization, workers will receive 10 per cent of the profits before taxes, and 15 per cent of a company's earnings will be



used to purchase shares for an "Industrial Community," which over a period of years will acquire 50 per cent equity in each enterprise. Constituted, owned and democratically run by the workers, the Industrial Community will vote its stock in a bloc at shareholders' meetings. Under the present law, no community will be formed where there are less than six employees, unless the firm's annual gross income exceeds \$25,000.<sup>10</sup> Another expected reform will provide for the establishment of communities in commercial enterprises.

The hoopla attending domestic reforms has drawn attention away from Peru's international relations, a situation reinforced by the less flamboyant personality of Foreign Minister Mercado Jarrín as compared with the President, the Interior Minister, and the Minister of Mines and Energy. Nonetheless, the military regime places great emphasis on its relations with other states, and is attempting to invest its foreign policy with principles of the domestic revolution—nationalism, economic reform and anti-imperialism.

Like previous governments which have depended heavily on fish and fish products for foreign exchange, the junta has vigorously asserted Peru's sovereignty over 200 miles of coastal waters, a region that it calls a "fourth part" of the nation—along with the jungle, the mountains and the coast. According to Velasco, this thesis is "founded in irrefutable historical, scientific, economic, social, and political reasons and is of absolute importance for our national development."<sup>11</sup> Because the United States recognizes sovereignty over only three miles of offshore waters, conflicts

have flared in the past, most notably when the Peruvian navy captured American-owned tunaboats. But 1970 was free of major incidents, and the Peruvians have displayed an unusual flexibility in negotiating problems deriving from the coastal waters question.

The military junta strongly supports the Andean Common Market (A.C.M.) which, in addition to Peru, embraces Bolivia, Chile, Colombia and Ecuador. Despite warnings from local industrialists that they would be undersold by Colombian and Chilean exporters, Velasco joined the Common Market in 1969 because, in his view, it would increase the efficiency of Peruvian industries, spur economic growth and stimulate structural changes that would "liberate our people."

The A.C.M.'s proposed foreign investment policy, applicable to all members, bears the indelible stamp of the "Velasco doctrine"; namely, that with some exceptions, foreign-controlled firms should progressively revert to national ownership. Anxious to remove rather than erect obstacles to outside capital, the Colombians and Ecuadorians have voiced opposition to this formula.

Peru's current government views world politics as a struggle between the United States and the Soviet Union, each of which economically exploits the less developed nations in its sphere of influence, precipitating a natural conflict between the superpowers and the developing countries. To redraw this grim picture, the government of Peru believes that it is necessary to reach an understanding with Washington and Moscow, while constantly asserting national independence.<sup>12</sup>

Four months after seizing power, the junta established diplomatic ties with the Soviet Union. Ambassadors have also been exchanged with six other Eastern bloc countries, the last of which was Bulgaria. Russian prestige declined somewhat in July, 1970, when the loss of an Antonov-22 plane forced the Kremlin to terminate its airlift of supplies for victims of the devastating May 31 earthquake after only 22 of 65 flights had been completed.

Meanwhile, immediate and massive United

<sup>10</sup> In an attempt to diminish class distinctions, the law replaces the three traditional categories of "workers," "employees" and "management," with that of all "persons employed full-time in an industrial firm." It is impossible to erase a basic distinction between the owners and those who receive salaries.

<sup>11</sup> República Peruana, Oficina Nacional de Información, *La política del gobierno revolucionario*, Vol. V (Lima: "El Peruano," 1970), p. 107.

<sup>12</sup> República Peruana, Ministerio de Relaciones Exteriores del Perú, *Discurso pronunciado por el Ministro de Relaciones Exteriores del Perú, General de División Edgardo Mercado Jarrín, el 18 de Setiembre de 1970, en la XXV Asamblea General de las Naciones Unidas, en Nueva York* (Lima: Colegio Militar Leoncio Prado, 1970).

States aid helped improve Peruvian-United States relations, severely strained during the I.P.C. dispute.<sup>13</sup> In late June, 1970, Mrs. Richard Nixon brought additional supplies and checks, toured the disaster zone with Sra. Velasco, attended an official *Te Deum* at the cathedral, and was given a state dinner by the President. Her trip was conspicuously free of the hostility marring her husband's visit 12 years before. The favorable reception accorded the October, 1970, joint United States-Latin American naval maneuvers (Unitas XI), in which 10 units of the Peruvian navy participated, further attests to the thaw in relations between the two countries.

### REACTION TO THE REGIME

Peru's government has successfully identified itself with the people, giving rise to what social scientist Julio Cotler calls "military populism." This identification began with Velasco's first presidential speeches when he declared that "this is a revolution of the people and the Armed Forces, because the Armed Forces initiated and promoted it for the benefit of the Peruvian people"; it continued through 1969 as the President adroitly aligned himself and his administration with the victories of the national soccer team, which captured a berth in the World Cup playoffs; and grew more apparent as the government mobilized the population for the October 3d celebration. So great is the emphasis on national symbols—the national anthem now precedes soccer matches and bullfights, and Tupac Amaru's name adorns new highways, housing projects and co-ops—that a Swiss company has inscribed "Arriba Perú!" and a red and white national flag on the dial of its new watches sold in Lima.

Velasco's regime, which has drawn support from land-hungry peasants, the nationalist middle class, the Communist-dominated labor movement and many other groups, enjoys the support of an even stronger ally, the

Roman Catholic Church. Once a pillar of the Peruvian oligarchy, the Church, like the armed forces, has developed a commitment to social action. Although conservatives outnumber liberals on Peru's 51-member Council of Bishops, the nation's politically astute cardinal, Monsignor Juan Landázuri Ricketts, has been profoundly influenced by the Vatican Council and the subsequent Medellín Conference of Latin American Bishops. The cardinal (whose brother-in-law is the Prime Minister), once an outspoken critic of the junta—he condemned their seizure of power as illegal—has become, in the view of many, its most influential supporter. Believing that key sectors of the economy should rest in national hands and that structural changes must occur, Landázuri has backed both the I.P.C. expropriation and the agrarian reform. When the National Society of Industrialists (S.N.I.) couched its attack on the Industrial Law in theological terms, the cardinal declared publicly that nothing in the decree was immoral.

Lima's cathedral and the presidential palace both front on the Plaza de Armas, and there is intercourse between these two citadels of tradition and power. Church intellectuals like Monsignor Luis Bambarén, a young auxiliary bishop of Lima, enjoy close contacts with Cabinet members; priests serve on a number of governmental commissions; and many reform decrees move across the cardinal's desk, or those of his advisers, before they are promulgated.

Nowhere is military-Church cooperation more obvious than in the "Young Towns" program, designed to provide technical assistance and public services to the teeming shantytowns that encircle Peru's major cities. Three years ago, the cardinal appointed Bambarén as "Bishop of the Young Towns," which contain over 1.5 million persons, including one-third of Lima's 2 million residents. The 41-year-old bishop, who helped form a Young Towns' association, has persuaded the business community to provide technical training in the communities. To demonstrate his commitment to their development, Bambarén himself lives in a Young

<sup>13</sup> The question of repaying Standard Oil for the I.P.C. is now immersed in litigation; see Grayson, *op. cit.*, pp. 67–68.

Town (and Landázuri has moved from the commodious cardinal's residence to a modest house in a working class neighborhood).

General Armando Artola, Peru's tough-minded Interior Minister, has also developed a strong following in the Young Towns, which could serve as his political base when elections are held.

Church influence has lent a certain social-Christian cast to the regime. In rejecting both communism and capitalism, urging the formation of cooperatives, stressing the need to overcome conflict between capital and labor in industry and insisting that the "marginal" citizen should be incorporated into the mainstream of society, Velasco sounds very much like former Chilean President Eduardo Frei, head of his country's Christian Democratic movement.

Although teachers have recently demonstrated for wage increases, no unified opposition has emerged to challenge Velasco's increasingly popular regime. The political parties are docile. The Christian Democrats (P.D.C.) and the Seoane wing of the Popular Action party have lavished praise on the junta, which has named P.D.C. president Héctor Cornejo Chávez as head of the National Council of Justice, and Edgardo Seoane as president of the Agrícola Development Bank. Meanwhile, pro-Belaúndistas have limited themselves to desultory attacks, the last of which called the price paid for the *Banco Continental* a "payoff" to the Rockefellers for the I.P.C. expropriation. Belaúnde himself is at Harvard and his name enjoys about as little currency in Lima as that of the fifth Inca. Former dictator Manuel Odría, an unabashed admirer of the junta, has flown to Switzerland for medical treatment; and his personalist party, which forged a parliamentary pact with the American Popular Revolutionary Alliance (A.P.R.A.) to frustrate Belaúnde's legislative program, has been dissolved.

Although party founder Víctor Raúl Haya de la Torre pays a nightly visit to his party's unique headquarters—it contains everything

from a blood bank to a cafeteria—A.P.R.A. seems to lack a political strategy. The party newspaper, *La Tribuna*, no longer appears, and the government is aiding the C.G.T.P. at the expense of the *aprista*-led Confederation of Peruvian Workers. The regime's promotion of cooperatives, especially around the A.P.R.A. stronghold of Trujillo, and the great attention now focused on the Industrial Communities appear to be further efforts to undercut the *apristas*, the country's only national political organization with skilled leaders, a disciplined membership and a strong labor base. Because of a blood feud rooted in the 1930's, the armed forces have refused to enter a "dialogue" with Haya and his supporters. Still, A.P.R.A. continues to reach thousands of Peruvians through social services, round-table discussions and fiestas. As always, the three centers of activity in every Peruvian town are a military post, a church, and the *aprista* headquarters.

The junta has brought the press to heel. Time and again, the President has announced his readiness to punish "reactionary papers [which] fill their pages with lies and insinuations," and a "Freedom of the Press" statute has been issued. It states that the only restrictions on newspapers will be "respect for the law, truth and morality, the demands of national security and defense, and the safeguard of personal and family honor and privacy."<sup>14</sup>

The government ignored these strictures in March, 1970, when it dispatched 80 assault police to expropriate *Expreso* and *Extra*, pro-Belaúnde dailies controlled by the powerful Ulloa family; and in April, 1970, when it exiled Elsa Arana, a prize-winning journalist who had reported Peru's press restrictions to

(Continued on page 116)

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George W. Grayson, Jr., has made six trips to Latin America in the past six years, and has just returned from Peru. He is the author of a study of Chilean politics entitled *El Partido Demócrata Cristiano Chileno* (Buenos Aires: Editorial Francisco de Aguirre, 1968) and has written a number of articles for scholarly journals.

<sup>14</sup> *Andean Air Mail & Peruvian Times*, January 2, 1970, p. 2.

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*"During the period 1961 through 1969, Bolivia's developmental process was characterized by internal instability and continued dependence upon her foreign sector for financing . . . capital accumulation."*

## Bolivia: Internal Instability and International Dependence

BY ALVIN COHEN

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STRUCTURAL CHANGE has been the tacit objective of the signatory nations of the Charter of Punta del Este, which brought the Alliance for Progress into existence in 1961. All signatories—the United States as well as the Latin American nations—committed themselves to a rapid change in public expenditure priorities to stimulate and encourage economic growth and social reform. It was assumed that these processes should take place in a stable political environment, because a stable political environment was assumed to be more attractive to private capital—foreign and domestic—than an unstable political environment.

Since the establishment of the Alliance for Progress, Latin America has shown little evidence of a stable political environment. Nations which have suffered non-constitutional changes in chief executives include: Argentina (1962); Bolivia and Brazil (1964); the Dominican Republic (1965); Argentina (1966); Panama and Peru (1968); Bolivia (1969); and Argentina and Bolivia (1970).

<sup>1</sup> For studies of the economics and politics of the 1952–1961 period—the period of the revolutionary government of the Movimiento Nacionalista Revolucionario (M.N.R.), see: James M. Malloy, *Bolivia, the Uncompleted Revolution* (Pittsburgh: University of Pittsburgh Press, 1970), Part III; and United Nations, Economic Commission for Latin America, "The Economic Policy of Bolivia in 1952–1964," in *Economic Bulletin for Latin America*, Volume XII, No. 2, 1968.

<sup>2</sup> Bjorn Kumm, "The Death of Che Guevara," *The New Republic*, November 11, 1967.

Of these countries, Bolivia has endured more non-constitutional presidential changes since her independence than any of the others. Bolivia's current President, Juan José Torres Gonzales, came to power on October 7, 1970, in Bolivia's 185th "coup d'état" since 1823. The last three of Bolivia's "coups" took place within a 14-month period: General Alfredo Ovando Candia overthrew President Luis Adolfo Siles-Salinas on September 26, 1969; General Rogelio Miranda tried to replace Ovando on October 5, 1970; his effort caused a division in the armed forces resolved in favor of Torres, who took office on October 7, 1970.

With respect to the period of the Alliance—1961–1969—the environment has been unstable.<sup>1</sup> The civilian government of Victor Paz Estenssoro was overthrown by General René Barrientos in 1964. While in office Barrientos was the object of several assassination attempts, and his administration was challenged significantly by the militant union of tin miners under Juan Lechín Oquendo and by a guerrilla insurgency—the National Army of Liberation—under Ernesto Che Guevara. Barrientos exiled Juan Lechín, and (reportedly with the help of the Central Intelligence Agency of the United States) destroyed the guerrilla movement by capturing and killing Guevara.<sup>2</sup> On April 27, 1969, Barrientos died when the helicopter he was piloting crashed. Vice President



Siles-Salinas constitutionally succeeded Barrientos and remained in power only until September of the same year when he was overthrown by General Ovando. Ovando was not new to the political scene. Along with Barrientos, he had participated in the "coup" that overturned the government of Paz Estenssoro in 1964 and, as early as 1968, he had declared himself a candidate for the presidency in elections that were to be held in 1970.

Adding to the environment of political instability, Ovando's short term in office was one which offered significant challenges. Although a rightist, Ovando had to face the demands of the left and the nationalists for the nationalization of foreign investments. He finally let himself be convinced by his Minister of Mines and Petroleum, Marcelo Quiroga Santa Cruz, that it would be wise to nationalize the investment of the Bolivian Gulf Oil Company, in the Oriente, the eastern lowland area of Bolivia.<sup>3</sup> Ovando's action was a disastrous example of poor timing. Gulf's investment was stimulating the rapid economic development of the city of Santa Cruz, providing a rapid growth in income, employment and output. Taxes collected by the city and the Department of Santa Cruz were being used to finance a series of public works, some more and some less desirable from the point of view of the long-run economic growth of Santa Cruz. Just prior to nationalization, the city of Santa Cruz had become the second economic center of Bolivia, surpassing Cochabamba and surpassed only by La Paz.

The thrust of Gulf's investment was, however, not petroleum for domestic consumption, but gas for export to Argentina. Bolivian Gulf was to build a pipeline to the Argentine border to connect with the pipe trans-

mission facilities of Argentina's petroleum monopoly at Yacuiba on the Argentine border. Nationalization ended, temporarily at least, the pipeline construction and production. Gulf's facilities were turned over to Bolivia's state petroleum enterprise—YPBF—but YPBF was not capable of assuming their direction. Santa Cruz has suffered significantly from this debacle.<sup>4</sup>

Ovando's difficulties were only compounded by continuing terrorist activities. Terrorists, for example, killed the owners and publishers of a leading La Paz newspaper. The Alexanders—both husband and wife—received a "gift box" which contained a bomb. In Cochabamba, a couple—a Chilean journalist and a student at the University of San Simón in Cochabamba—were killed by unidentified assailants.

### STUDENT ACTIVITY

In such an environment, it is not unusual for students, pro- or anti-government—to engage in dramatic confrontations. The importance of these is considerably exaggerated. Societies like the Bolivian, where superstition often substitutes for objectivity, tend to give credence to rumor, and even routine student demonstrations become dramatic acts of heroism against a repressive government, or outrageous affronts to established authority, depending upon the political beliefs of one's informants. As is customary in the Bolivian culture, the students contributed to a general atmosphere of instability during Ovando's regime—not unlike the atmosphere of previous military dictatorships, even during the rule of Barrientos, 1964–1969. In March, 1970, student political organizations at the national universities carried out a "coup d'état" against their respective leftist academic administrations, replacing them with even more leftist administrators. Many deans as well as rectors were replaced, as the students replaced Marxist administrators with their own personal revolutionaries. This disrupted academic programs for several months, in some cases. Ovando did not intervene. Publicly he observed the inviolability of university autonomy and claimed that

<sup>3</sup> Bolivian history had repeated itself. In 1937, under a military junta, Bolivia nationalized the concession of the Standard Oil Company of New Jersey, in the Chaco, southeastern Bolivia.

<sup>4</sup> Prior to his overthrow, Ovando concluded an agreement with Gulf for financial compensation. To receive payment, Bolivian Gulf has had to agree to finish the pipeline. Furthermore, payment is contingent on continued production and profits from the YPBF-owned former Gulf installations.

administration was the internal affair of the universities. Privately, he probably recognized the undesirability of antagonizing another group.

Shortly after the universities returned to some semblance of academic routine, a counter-revolution took place at the University of René Moreno, Santa Cruz. In June, a dissident student faction named the vice-rector as rector, occupied the main building, and prevented classes from being held. Tensions began to rise again. Rumors increased with respect to counter-revolutions of the right at other national schools. In *El Diario* of La Paz regular paid inserts portended a rightist university take-over and solicited support, financial or otherwise. The counter-revolution came at the end of July, but only at San Andrés, in La Paz. The dramatic counter-revolution did not sustain itself for long; but this was still another interruption of the academic program. Again, Ovando refused to intervene, claiming to respect the universities' autonomy.

Where Bolivia's newest dictator, Juan José Torres, is likely to lead her is still unknown. Torres is being publicized as an energetic leftist. To rule with any degree of social effectiveness (as distinct from personal benefit) he will certainly have to espouse a strong leftist position. He has already permitted armed student guerrillas to take over the two moderate newspapers in La Paz. *El Diario* is to be run by a workers' cooperative. But *Hoy* has been returned to its owners to manage. A generally leftist Cabinet has been formed, although the army has not been left out. On the other hand, it is well to remember that Torres was one of the army men in charge of the campaign against Che Guevara in 1967. The extent to which Torres holds leftist notions and will carry them out remains to be seen.

### ECONOMIC DIFFICULTIES

It is also important to deal with the economics of the period, 1961-1969, to ascertain whether or not there has been any economic growth since the establishment of the Alliance for Progress and any change in Bo-

livia's traditional international dependence. We should, moreover, return to a question raised earlier with respect to political instability and changes in the level of private foreign and domestic business investment expenditures. It is understood in this context that political instability is indicated not merely by non-constitutional changes of chief executive, but by the persistence of urban terrorist and rural guerrilla activity.

There are a number of continuing natural obstacles to Bolivia's growth process. Of these, the most impressive and immediately most visible is her topography. Bolivia is a country whose boundaries also include a large share of the Andean "altiplano" and Lake Titicaca, at over 14,000 feet above sea level. On the other hand, her boundaries also include a large share of the extreme western and southern portions of the Amazon basin—the Oriente—at less than two thousand feet above sea level. This altitudinal variation gives Bolivia climate variety and agricultural diversity. But physically, the rugged Andes of the "altiplano" make the development of a transportation network difficult to build and costly to maintain. Consequently, the evolution of a national market economy has been slow. Motivation to take advantage of the economies of scale that are assumed to result from the development of a national market system has lagged.

Bolivia's economic growth is also hampered by another natural obstacle—her population concentrations in river valleys at great distances from export markets. Bolivians themselves would normally cite Bolivia's lack of a seaport as an important obstacle to her growth. Since Bolivia's Pacific Coast territory, which included the city of Antofagasta, was lost to Chile in the War of the Pacific in the last century, this lack would be considered a political rather than natural obstacle. With or without a seaport of her own, Bolivia still has to pay the transportation costs to get her imports from the Pacific to the "altiplano" and its environs where most of her population lives, and she would still have to pay transportation costs to ship her exports from these same areas to the

Pacific Coast for transport to foreign markets. Ownership of coastal territory is likely to be of very limited importance in calculating the real cost of getting imports and exports to their ultimate consumers. Not lack of coast but transportation distance is the obstacle, notwithstanding the Bolivians oft-repeated phrase, to assuage their national pride, that "*Antofagasta fué, es, y será Bolivia.*" (Antofagasta was, is, and will be Bolivian.)

Bolivia's rugged topography gives her still another—a third—natural obstacle to economic growth. This is her relative lack of agricultural land per capita. The national territory measures approximately 424,162 square miles or 1,098,600 kilometers, and the estimated population in 1968 was 4,680,000. The man/land ratio—inhabitants per square kilometer—or population density—in the year 1968 was 4.<sup>5</sup> This compares with a population figure of 3,019,000 in 1950, which yielded a population density figure of 3.<sup>6</sup> In time, the population density figure tends to rise, as a growing population must be supported by the same land mass. With little change in agricultural productivity, supporting this population becomes more difficult.

Nevertheless, Bolivia's population density figure is not high relative to that of other Latin American countries, many of which are more developed and have higher incomes per capita. Among these density figures are: Argentina, 9; Brazil, 10; Uruguay, 15; Costa Rica, 33; Cuba, 7; and Mexico 24. Other countries, therefore, have achieved higher standards of living even with higher population densities. None of these countries, however, has the topography that Bolivia has. Furthermore, Bolivia has less agricultural land in relation to total area than any other Latin

American country—0.3 per cent.<sup>7</sup> This low percentage is a direct function of Bolivia's rugged terrain. Consequently, the benefit of a low population density is mitigated by Bolivia's topography.

In spite of Bolivia's natural obstacles and her lack of political stability, there has been some measurable economic growth since the establishment of the Alliance for Progress. Bolivia's gross national product, in 1958 prices, rose from 3,562,000,000 pesos Bolivianos in 1961 to a provisionally estimated 5,375,000,000 pesos Bolivianos in 1969. That is an increase in real terms of about 50 per cent. In dollars, Bolivia's gross national product rose from \$296,833,333 in 1961 to \$447,916,666 in 1968.<sup>8</sup> In terms of dollar per capita income, and using the real gross national product figures, Bolivia's dollar per capita income rose from \$80 to \$98, an increase of only 22 per cent, approximately 2.8 per cent per year.<sup>9</sup> Although either of the real dollar figures is very low, the average annual rate of increase is impressive, relatively speaking. For example, it was at least as good as the average annual increase in the United States for the same period, better than the average for all of Latin America, and better than the 2.5 per cent average annual rate which is the desired objective of the Alliance.

To whatever extent real per capita growth has taken place in Bolivia from 1961 through 1969, gross national product includes the foreign sector. In this respect, it is important to point out Bolivia's continuing traditional dependence on foreign sources of goods for consumption and capital for investment. While Bolivia's gross national product in Bolivian pesos at current prices rose from 4,867,000 in 1961 to 9,625,000,000 in 1968—an increase of 97 per cent—Bolivia's deficit on the current account in her balance of international payments rose from 259,000,000 Bolivian pesos in 1961 to 627,000,000 Bolivian pesos in 1968—an increase of 141 per cent.<sup>10</sup> During this period, the deficit improved relative to 1961 only in 1964 when it was 116,000,000 Bolivian pesos.

Bolivia's dependence on foreign transac-

<sup>5</sup> United Nations, Economic Commission for Latin America, *Statistical Bulletin for Latin America*, September, 1969, p. 27.

<sup>6</sup> *Ibid.*

<sup>7</sup> Preston E. James, *Latin America* (New York: The Odyssey Press, 1942), 3d edition, p. 205.

<sup>8</sup> Ministerio de Planificación, *Cuentas Nacionales de Bolivia, 1950-1969*, La Paz, 1970.

<sup>9</sup> Population figures are from USAID-Bolivia, *Estadísticas Económicas*, No. 9, 1968, p. 4, and No. 11, 1970, p. 4.

<sup>10</sup> United Nations, *Statistical Yearbook, 1968*, and Ministerio de Planificación, *Cuentas Nacionales de Bolivia, 1950-1969*.

tions for her increase in gross national product—and indirectly, for her real per capita income—during the 1961–1969 period is clarified by a consideration of Bolivia's exports and her participation in international markets and the process of savings, investment and capital accumulation. Bolivia is referred to as a monoculture country; more than 50 per cent of the value of her exports lies in a single commodity. The total value of Bolivia's exports in 1961 was 913,200,000 Bolivian pesos. This figure rose to 2,047,200,000 Bolivian pesos in 1968, an increase of 124 per cent.<sup>11</sup> The value of tin exports, at 606,000,000 Bolivian pesos in 1961, rose to 1,110,000,000 Bolivian pesos in 1968. This is an increase of approximately 83 per cent. As a percentage of total exports, tin declined from 66 per cent in 1961 to 54 per cent in 1968, a decline that still left a monoculture country. This decline in the percentage of total exports accounted for by tin, as total exports increased, was not due to a decline in tin prices. The average international market price of tin in 1961 was \$1.12 per fine pound; in 1968, \$1.46. This represents an increase of 30 per cent. Volume, therefore, increased as well as prices.

During this period, Bolivia was adding crude petroleum—the Bolivian Gulf operation—to her exports. Crude petroleum exports were 22,800,000 Bolivian pesos in 1961, but had risen to 291,600,000 Bolivian pesos in 1968, an increase of 1,178 per cent. As a percentage of total exports, crude petroleum rose from 2 per cent in 1961 to 14 per cent in 1968.<sup>12</sup> It was earlier pointed out that Ovando's nationalization of Bolivian Gulf in 1969 affected Santa Cruz in particular and, probably, the gross national product in general. From the above, it must be concluded that nationalization must also have adversely affected Bolivia's balance of payments, at least for 1969 and 1970. Hopefully, since compensation arrangements were concluded

in 1970, this adverse effect will be eliminated by 1971. Furthermore, since the compensation agreement calls for Bolivian Gulf's finishing the gas pipeline to Argentina, gas should be added to exports, along with crude petroleum, in the near future.

### FOREIGN CAPITAL

Now let us turn to the matter of Bolivia's dependence on international transactions for her process of savings, investment and capital accumulation. Gross investment in current prices was 818,000,000 Bolivian pesos in 1961 and 2,131,000,000 Bolivian pesos in 1969, an increase of about 160 per cent.<sup>13</sup> We observed previously that Bolivia's deficit on the current account rose by about 141 per cent during the same time period. While not equal, both the magnitude of the changes in the two and their relative closeness point up Bolivia's continuing dependence on foreign sources of savings for financing her process of capital accumulation because Bolivia's deficit in her balance of payments represents, in essence, an import of foreign savings.

In the earlier discussion of the impact of political stability on private investment, it was suggested that one should expect an inverse relationship—an increase in political instability and a decrease in private investment. Private domestic investment expenditures, in current prices, rose from 266,000,000 Bolivian pesos in 1961 to 787,000,000 Bolivian pesos in 1968.<sup>14</sup> This represents an increase of 195 per cent during a period in which the increase in gross national product was only 97 per cent. This would suggest that the inverse relationship between private investment and political stability did not hold during this period. However, such a conclusion may be unwarranted. The largest change in private investment took place between 1964 and 1965. Private investment in 1965 was 726,000,000 Bolivian pesos as compared with 371,000,000 Bolivian pesos in 1964. This substantial difference reflects, undoubtedly, the investment of Bolivian Gulf. Given this unusually large increase in private foreign investment, it is legitimate to argue that private domestic investment in Bolivia might well

<sup>11</sup> USAID-Bolivia, *Estadísticas Económicas*, No. 11, 1970, p. 27.

<sup>12</sup> *Ibid.*

<sup>13</sup> Ministerio de Planificación, *Cuentas Nacionales de Bolivia, 1950–1969*, La Paz, Bolivia, 1970.

<sup>14</sup> *Ibid.*



have been larger had the political situation reflected less underlying tension.

### FOREIGN SAVINGS

One further relationship appears important—the direct dependence of the Bolivian government on foreign savings. Such dependence derives from Bolivia's large percentage increase in her deficit in the current account of her balance of payments, and in the important role that the Bolivian government plays in her process of capital accumulation.

While her private domestic investment increased by 195 per cent from 1961 through 1968, public domestic investment rose by 250 per cent. Public domestic investment represented close to 47 per cent of domestic investment in 1961, and was just about 50 per cent of the total in 1968. The Bolivian government's net receipts from foreign sources in 1961 were 137,000,000 Bolivian pesos, about 54 per cent of the government's domestic investment expenditure. In 1968, the net receipts from foreign sources were 617,000,000 Bolivian pesos, about 70 per cent of the Bolivian government's domestic investment expenditure.<sup>15</sup>

From the previous discussion, it becomes obvious that Bolivia's increase in gross national product was, to a very large extent, due to her foreign transactions and, within these, to her tin exports between 1961 and 1968. It is also clear that United States aid, in a very direct fashion, has played an important role, surpassed perhaps only by tin exports. These exports in 1961 brought the Bolivians the equivalent of 606,000,000 Bolivian pesos while United States aid disbursements provided about 202,000,000 Bolivian pesos, one-third. In 1968, tin exports brought the Bolivians the equivalent of 1,110,000,000 Bolivian pesos while United States aid disbursements provided about the equivalent of 367,200,000 Bolivian pesos, still approximately one-third.<sup>16</sup> With respect to the total expenditures of the Bolivian government in 1961

—consumption expenditures plus fixed capital—of 701,000,000 Bolivian pesos, the United States aid disbursements in that year represented close to 27 per cent. In 1968, the total expenditures of the Bolivian government were 1,882,000,000 Bolivian pesos and the United States aid disbursements in that year represented close to 20 per cent. (Beginning in 1965, the United States eliminated its direct budgetary support to the Bolivian government.)

During the period 1961 through 1969, Bolivia's developmental process was characterized by internal instability and continued dependence upon her foreign sector for financing the process of capital accumulation. This, of course, means that Bolivia is frequently faced with economic conditions over which she has little control. These conditions are, obviously, of particular importance when they are adverse. Even before the current purportedly nationalistic government of General Torres, the Bolivians were interested in minimizing this dependence on international-United States aid.

The signing by Bolivia of the Charter of Punta del Este establishing the Alliance in 1961 is one example of her intent. Other indications include membership in three regional trade and development agreements—the Latin American Free Trade Association, the Andean Common Market and the Agreement of the "Cuenca de la Plata." So far, none of these evidences of intent has led to a significant reduction in Bolivia's international dependence. Bolivia's growth and development, therefore, will continue for some time to be dependent upon tin exports, United States aid, and international transactions.

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<sup>15</sup> *Ibid.*

<sup>16</sup> USAID-Bolivia, *Estadísticas Económicas*, 1965, No. 7, p. 31, and 1970, No. 11, p. 46.

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*In a victory press conference, the incoming President of Chile declared that his government "would not be a Communist, nor a Socialist, nor a radical one; it will be a government of the forces that comprise the Popular Unity, something authentically Chilean. . . ." As this specialist appraises the situation, "Chile is not likely to see a straight march to a Marxist dictatorship."*

## Chile: From Christian Democracy to Marxism?

BY ALAN ANGELL\*

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HISTORY WILL PERHAPS be kinder than the Chilean electorate to the first Christian Democratic government, for if President Eduardo Frei's achievements fell far short of his promises, the task that his administration undertook was by any reckoning a formidable one. A backward and unproductive agrarian system was to be modernized, and land was to be transferred from the few to the many; an economy that combined slow growth, fast inflation and foreign ownership was to become national and developed, and the currency was to be stabilized; the rigid social system was to become open, and social justice was to replace privilege. All this was to be achieved without violating the Chilean tradition of political and civil liberty.

That experiment is now over and a preliminary assessment can be made of its successes, failures and consequences. But the Christian Democrats are far from being consigned to the scrap heap of history. They are still the largest party in Chile, still well organized and enthusiastic. Their attitude toward President Salvador Allende Gossens

will be crucial for the success of his regime. In six years, they will be strong contestants for the presidency; very strong indeed should former President Frei decide to capitalize on his undoubtedly great popularity. Moreover, that lone popular hero of the right, ex-President Jorge Alessandri, at the age of 80, will surely be too old to pose any threat.

Any government that promises to work wonders and fails is an easy target for criticism. Even the Christian Democrats' own presidential candidate, Radomiro Tomic, former Senator and Ambassador to Washington, repeatedly drew attention in his campaign to the government's failure to contain inflation, to Peru's enormous external debt (according to him the second highest per capita in the world), to her slow economic growth and the dangerous rise in social tensions. The much celebrated copper agreements made by President Frei were held to be not radical enough, and Tomic promised outright nationalization.

Yet President Frei's last annual message to Congress in May, 1970, presented an impressive record of achievements in many sectors (even if it was noticeably silent about the rate of inflation). However, considering the poor economic record of the previous

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\*This article is a revised version of an article that first appeared in the *World Today* (Royal Institute of International Affairs, London), November, 1970.

Alessandri administration, it would indeed have been surprising if by comparison Frei had not made a better showing. And given the very high prices for copper on the world market (Frei's presidency saw revenue from copper exports of U.S. \$2,800 million,<sup>1</sup> not far short of three times the revenue in the previous comparable period), even the most negligent government would have registered some economic progress.

### BALANCE OF PAYMENTS SURPLUS

It is no surprise that one of the most impressive statistics of the Frei administration lies in the balance of payments surplus. Exports rose from \$676 million in 1964 to \$1,139 million in 1969 (although non-copper exports rose only from \$193 million to \$231 million) and although imports rose quickly too, a deficit of over \$4 million in 1964 had been converted to a surplus of \$183 million by 1969.<sup>2</sup> The external debt grew more slowly under the Christian Democrats and consisted more of long-term borrowings for investment than, as under Alessandri, of short-term financial transactions. But the debt was still very high in 1969 at \$2,084 million—the Christian Democrats' boast that they reduced the external debt in per capita terms owes more to population growth than to actual reduction of the debt.

The twin problems of inflation and growth finally defeated Frei's economic policy. Inflation rise should have been zero in 1970; it is more likely to be near or above the 30 per cent rise of 1969. The gross national product grew on average 5.4 per cent under Frei (compared with an annual average of 4.9 per cent for 1961 to 1964). In per capita terms, however, this is an annual average increase of around 2 per cent—hardly fulfillment of promises of revolution. When Frei took over in 1964, the bulk of capacity in manufacturing industry was idle, so that for three years it was possible to expand output

without setting off the usual chain of inflation. But with the end of this boom and the failure to generate substantial new capacity, reduction rather than expansion became necessary. The ills that beset the Chilean economy—low agricultural productivity, an entrepreneurial class with a very low propensity to invest, an increasingly aggressive union movement (now rural as well as urban), monopolistic industrial organization, heavy external indebtedness—all these still remain to be conquered if inflation is to be halted and growth is to be generated.

But these failures should not conceal the real concern that the government showed for the poorer sectors. Compared with four or five years ago when the figure was about 42 per cent, the wage and salaried sector now receive closer to 51 per cent of the gross national product.<sup>3</sup> Governmental policy has encouraged this transfer, especially in the rural sector, where real wages have risen by 40 per cent. Moreover, the tax burden is now spread more evenly and collected more justly and efficiently. Total enrollment in education was up by 46 per cent from 1964 (compared with 27 per cent in the previous comparable period) and illiteracy has fallen. A quarter of a million new houses were built, mostly for the poorer sectors of society, though the housing boom came to an end after three years and the actual achievement falls far short of the promises.

### COPPER AND LAND REFORM

Two key areas of the economy were to receive special attention from the Christian Democrats—copper and the agrarian sector. Both were failing the nation; both were to be reformed.

The first reform program in the copper sector was not very successful. Under the so called "Chileanization" agreement, the state and the United States companies would cooperate to increase production and the amount of local refining. But the high price paid by Chile for the major mine involved, the *El Teniente* mine of the Kennecott company, far higher than the book value, meant high returns for the Americans and low re-

<sup>1</sup> President Eduardo Frei, *Sexto Mensaje al Congreso Nacional* (Santiago, 1970).

<sup>2</sup> *Ercilla* (Santiago), No. 1831, July 22–28, 1970.

<sup>3</sup> A.I.D. evidence to the Sub-Committee on Inter-American Affairs, Committee on Foreign Relations, House of Representatives, *New Directions for the 1970's* (Washington, D.C.), p. 774.

turns for Chile. Reports of United States company satisfaction with the deal were well founded.<sup>4</sup> Moreover, the high world price of copper meant that the Americans could finance the new investments from profits, instead of importing new capital as they were supposed to do. So the second initiative in this area was more radical. The government exerted pressure on the Anaconda company, which had originally refused to cooperate in the Chileanization scheme. The government bought 51 per cent of its holdings (including the huge Chuquicamata mine) with payments to be made over 12 years at an interest rate of 6 per cent. Compensation was based on the book value of \$197 million, whereas, in the *El Teniente* deal, the compensation was based on a figure three times that of the book value. Even the left was not too unhappy with this part of the agreement. But the arrangements for taking over the remaining 49 per cent of Anaconda's holdings were more controversial. Although the government estimates that it will pay at the most \$288 million (it has also arranged for a preferential dividend from copper sold at more than 40 cents a pound), the opposition disputed the Christian Democratic arithmetic. Nevertheless, this new arrangement seems to represent a considerable increase in Chilean authority in the vital copper industry at a not excessive cost (at least compared with past American profits).

Moreover, the government has energetically pursued its investment plans. Under Frei, \$555 million was invested in copper, more than five times the investment of the previous administration. The outlook for copper production is good (even though the world price situation is less certain); production of 685 million short tons will rise to an estimated 865 million by 1970, and the target for 1972 is over 1,200 million.<sup>5</sup>

If, by comparison, the record of production in the rural sector is distinctly poor—it fell by 18 per cent last year, largely due to the effects of drought—there can be little

doubt that the countryside has seen lasting social change, even though the agrarian reform fell short of its perhaps over optimistic targets. The cost of the exercise, the legal difficulties, the hostility in Congress and the resistance of the landowners were all underestimated by the government.

Nevertheless an important start has been made. Close on 1,220 farms have been expropriated, with a land area of over three million hectares, which represents about 6 per cent of all arable land in Chile, and includes about 12 per cent of all irrigated land. About 650 *asentamientos* (or collective farms of a transitional nature on the way to private ownership) have been set up for 20,000 families, and another 2,000 families have been given land directly. The growth of organized labor in the countryside, following the law of 1967, has been spectacular by previous standards. From practically nothing in 1964, there are now over 400 unions with 100,000 members, some 222 rural cooperatives with 30,000 members, and 59 committees of small producers with 37,000 members.<sup>6</sup> If the problem of low productivity remains, there can be little doubt that the great effort of the Christian Democrats in organizing the landless laborer and small producer has decisively altered the balance of power in the countryside in their favor.

### POLITICAL DISUNITY

In his last address to Congress, Frei claimed that, "In Chile, there has been in recent years a profound transformation of social values and of the perception of the future." This was part of the problem of the Christian Democrats. For some the transformation was too slow, for others, too fast. The party suffered from the defection of a radical group in May, 1969, which set up a new movement, MAPU (Movement of United Popular Action) that eventually joined forces with Allende. Less noticeable, but of more electoral significance, was the defection of right-wing voters who had supported the party because in 1964 it was the only alternative to Marxism, but who subsequently felt more at ease with the right-

<sup>4</sup> Keith Griffin, *Underdevelopment in Spanish America* (London, 1969).

<sup>5</sup> Frei, *op. cit.*

<sup>6</sup> *Ibid.*



wing National party and with Alessandri, especially when Tomic's campaign looked almost as radical in tone and pronouncement as that of Allende. Even if by Chilean standards the party has remained remarkably intact, the extent of these electoral desertions were enough to mean defeat for its presidential candidate.

## THE ELECTION

The presidential campaign virtually started immediately after the congressional elections of March, 1969. Former President Jorge Alessandri was the first to announce his candidature, backed by the right-wing National party and a group of dissident Radicals. At 74, Alessandri was regarded by many as too old and infirm, but for others his experience as former President and his sober bearing and reputation offered a comforting paternalistic alternative to the two radical candidates. Radomiro Tomic led the Christian Democrats from a position well to the left of Frei and seemed uneasy about campaigning on the record of the government. He once withdrew his candidature when he felt that the party was not behind him in his overtures to the left. He took up the challenge again on the understanding that the party would fully support his left-wing stance and his platform of radical social change, including the complete nationalization of copper.

Eventual victor Salvador Allende, at 62 the candidate of his party for the fourth time, only barely received the nomination of the Socialists. Uneasy about Allende's political moderation, the party offered the candidacy twice to more radical leaders, who both refused. It is nevertheless difficult to think of any other leading Socialist who could have gained the support of all the other members of the Popular Unity coalition—the Communist party, the Radical party, the MAPU, the Social Democrats and the A.P.I. (a curious leftist personalist group organized around Senator Rafael Tarud).

The elections took place with relatively little violence in spite of rumors of coups. The results were extremely close. Allende won 1,075,616 votes, or 36.3 per cent of the

poll; Alessandri had 1,036,278 votes, or 34.9 per cent; and Tomic 824,845 votes, or 27.8 per cent. These figures provide some interesting comparisons. Allende's share of the poll was less than it was in 1964, when he had 38.9 per cent, though of course there were only two major candidates then. Alessandri had a higher share than he had in 1958, when he was the winner with 31.6 per cent, and he polled more votes than the 20 per cent that the National party gained in March, 1969. Tomic still held on to most of his party's 31 per cent, whereas Allende was well below the 42 per cent that his supporters had gained in that election. Abstentions were comparatively low at 16.4 per cent of the poll.

Allende ran strongly in the traditional left-wing voting areas—in the mining north, in industrial Concepción (where he doubled Alessandri's vote) and in far South Magallanes. Though 41.6 per cent of male voters preferred Allende, women voters' first preference (at 38.5 per cent) was Alessandri, although interestingly enough, Allende just beat Tomic for second place in the women's preferences. Perhaps Alessandri is attributing his loss to television, which played a prominent role in the election; compared with the 24 performances of each of his rivals, Alessandri chose to appear only three times on television, looking old, ill at ease and nervous. Prior to the election, Alessandri said he would respect the choice of the electorate; afterwards, he attempted to block Allende by offering himself as an interim President who would immediately declare new elections in which Frei would be eligible to run. Frei ridiculed the idea; his party rejected it; and the left is incensed with the blatant dishonesty of the candidate who claimed to stand for probity.

Tomic immediately visited Allende to congratulate him and pledge his support—a gesture obviously gratifying to the President-elect. In return for their vote in Congress, the Christian Democrats obtained Allende's acceptance of a Statute of Democratic Guarantees. The Christian Democrats, though they make clear their respect for Allende, are

worried about the bureaucratic ambitions of the Communists and the authoritarian wing of the Socialists.

The statute calls upon Allende to respect political and civil liberties, and to guarantee the existence of political parties, freedom of the press, freedom of education, freedom of unions from state control, and freedom of the armed forces from political interference. In the secret ballot held in Congress on October 24, nearly all Christian Democratic votes must have been cast for Allende, who received 153 votes (the Christian Democrats had a theoretical maximum vote of 75, and Allende's supporters, 80); 35 votes were cast for Alessandri; and there were 7 blank votes and 5 absentees, including Allende himself.

### ALLENDE'S PROGRAM

In his victory address, Allende announced that "I won't be just another President; I will be the first President of the first really democratic, popular, national and revolutionary government in the history of Chile." Time will show whether this is to be the case. Certainly his program is unlike that of any former President-elect.<sup>7</sup>

The state will control the commanding heights of the economy. Nationalization will extend to the extractive minerals (copper is the first priority), the financial system (including insurance), foreign trade, the distributive monopolies, strategic industrial monopolies, and those industries vital to the nation such as electricity, transport, communications, gas and heavy industry. Chile is far from a private enterprise economy at the moment but this program represents a dramatic increase in state power. In the private sector, it is estimated that some 150 key companies will be taken over, leaving 30,000 (mostly medium and small) concerns to be run privately but in cooperation with the state.

The rights of the small shareholder will be fully protected in this takeover. Foreign capital will be strictly limited and controlled; most of the \$550 million of American invest-

ments, largely in copper, will be nationalized. Full employment is guaranteed. In the rural sector, all estates over a fixed size (varying according to region and produce) will be expropriated. Cooperative units will replace them, although in certain cases individual ownership will be allowed. Peasant representatives will replace large landowners on state governmental organs.

A new constitution will regulate the political system. In the vague and somewhat heavy language of Popular Unity propaganda, the people will be incorporated into the state apparatus via a single national chamber, the *Asamblea del Pueblo* (though the means are not specified), and a whole series of departmental and local assemblies will reflect this system. The will of the majority is to be respected. Election to all bodies will be regular and simultaneous and suffrage will be universal (at present there is a literacy qualification). A novel feature will be the right of the electing body to recall legislators. Holders of state office may not hold private office.

Social policy will concentrate on a massive drive in the educational sphere. If necessary, luxury dwellings will be turned into schools (shades of Castro's Cuba!). Housing needs will be met by concentration on low-cost dwellings, and mortgage repayments will be pegged at 10 per cent of family income. In the international sphere, Chile will denounce the Organization of American States as an imperialist tool and will work for a real inter-American institution. The new government will revoke pacts that limit Chilean sovereignty and will reject all aid that carries political strings. Diplomatic relations will be established with various Communist nations: North Korea, North Vietnam, China, East Germany. Genuine liberation movements, including the Palestinian, will be supported (though in what way is not made clear).

### ALLENDE'S PROSPECTS

In a very misleading editorial, the *Times* (London) lamented that Chile had elected a Communist President. This is far from the case. Allende has always been a relative

<sup>7</sup> A convenient summary may be found in *Ercilla*, No. 1836, August 26–September 1, 1970, pp. 54–58.

moderate in that curious, ill-organized, rhetoric-rich, ever-disputing movement, the Chilean Socialist party. His political career has been lengthy—deputy for Valparaíso in 1931, Minister of Health in the Popular Front government of Aguirre Cerda in 1939, and Senator for the last 25 years. Aguirre Cerda is one of his political heroes, largely because in the face of difficulties he fought to maintain democracy and liberty in Chile. Allende's commitment to this tradition is also strong; the problem is whether he can be a firm enough President to contain contrary forces in his coalition.

Allende declared in a victory press conference that his government "would not be a Communist, nor a Socialist, nor a Radical one; it will be a government of the forces that comprise the Popular Unity, something authentically Chilean and in accord with our reality." This was not stated merely to try to contain the temporary financial panic that followed the election. His coalition is a wide one. The largest congressional group, with 28 deputies and senators, which won 17 per cent of the poll in March, 1969, is the Communist party—orthodox Moscow supporters, well organized, very cautious, very anti-guerrilla and ambitious to establish itself in the apparatus of the state. Next comes the Radical party, with 27 congressmen and a 13 per cent poll in 1969; although it has shed its right wing, the party (rather like the old French Radical party) is still very much a center group—opportunist, certainly no enemy of private property or even private wealth, and firmly committed in statement at least to the democratic system. Allende's own party, divided internally between Leninists, Castroists and Social Democrats, has 19 congressmen and had a 13 per cent share of the 1969 poll. He can also count on the support (and demands) of two Popular Socialist, three MAPU, and one Social Democratic congressmen.

Because the next congressional elections do not take place until 1973, Allende faces an assembly in which his supporters are in a minority. Under a new constitutional provision, he can force a plebiscite if Congress

opposes him on some measure, but given the slenderness of his popular majority, this could be very dangerous. He will be able to count on Christian Democratic votes (perhaps more reliably than on the Radicals) for certain reform measures; but the Christian Democrats will not be slow to oppose other administration measures and will certainly insist on the continuance of a political system that allows them full opportunity to return to power.

Even in the key copper sector, Allende will have to tread carefully. Prices dropped by one-third in 1970 and there are signs of a world surplus. Most of Chile's copper goes to Europe, not to the United States, so there would not be a great deal of political advantage in switching exports to the U.S.S.R., which anyhow is unlikely to want to support another expensive ally in Latin America. Allende will need a great deal of investment capital to carry out his expansion program and may have to make political concessions to get it.

It is still too early to see how far the government wants to go and how quickly. The Cabinet positions have been distributed among the parties. Communists hold the ministries of Labor, Public Works and Finance. The Socialists hold Foreign Affairs, Housing and Interior. The Radicals hold Defense (which Allende promised the Christian Democrats would not go to a Socialist or Communist), Education and Mining. MAPU's Chonchal is in charge of Agriculture. Economy is held by the independent (but Socialist) economist, Vaskovic. The Social Democrats have Health and Land. The A.P.I. has Justice. But this distribution was not achieved without considerable tension among the parties. Already members of the Socialist party have occupied public buildings in protest at the distribution of government  
(Continued on page 117)

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*Discussing the near defeat of Colombia's coalition government, this specialist concludes that "The immediate prospect is not exciting: a government of humane and well meaning men as yet shows no sign of the political initiatives necessary to extricate itself from past compromises."*

## Coalition in Colombia

BY MALCOLM DEAS

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SOME TWELVE YEARS AGO a coalition was formed between Colombia's two traditional parties, Liberals and Conservatives, to rule the country without excessive conflict and to end military government. On April 19, 1970, that same loose coalition was very nearly defeated by precisely the candidate that its formation was designed to exclude forever from the political scene—General Gustavo Rojas Pinilla. This near defeat occurred at the end of the most effective government that the coalition had yet produced, that of President Carlos Lleras Restrepo. A system and an hegemony received a severe bruising. Carlos Lleras Restrepo had won the presidency with 71 per cent of the votes cast, and had gained a majority in all the departments of the republic. His successor, Misael Pastrana Borrero, polled a little over 40 per cent, had an absolute majority in only three departments, and, with one exception only, lost every major city in the rapidly and diversely urbanizing country. Colombia used to appear to its neighbors to be the university of election management. How did this occur?

The *Frente de Transformacion Nacional*, as the coalition had been rechristened, was undoubtedly politically complacent. General Rojas Pinilla's *Alianza Nacional Popular*

(ANAPO) looked containable; it did not look as if it could cross that vague barrier which divides a protest valve from an alternative government. Its now ominous-looking 28 per cent in the 1966 elections was still some points below the danger-point of one-third of the electorate, and surely the government's policies of popular organization would erode it in the future. ANAPO had few intellectuals on its side—unusual for a Colombian opposition—and a poor press. The men of the coalition had a good press, and over the years they had come to believe their own propaganda to a dangerous degree. The General's government from 1953 through 1957 had been marred by many a defect, but not by as many nor as memorable as his persistent denigrators supposed. In previous elections under the coalition's constitutionally-binding division of power, the boredom of the electors had to be alleviated in some way to get them to the polls, and the spectre of the return of General Rojas had been extensively summoned. Thus those in power took what was potentially a real force for a scarecrow. They relied, too, on the *maquinaria*, the official machinery, and did not see that it was no longer so easy to manipulate, that it was no longer so uniform in its performance, and that it would not work well in the face of serious division in the coalition itself.

But this last element was not foreseeable,<sup>1</sup> and there were better reasons than those listed above for the optimism of the coalition. The

<sup>1</sup> For an example of lack of foresight, and a consequent underestimation of the potential of ANAPO, see the author's article in *International Journal*, Summer, 1969.

economic situation was hopeful; the coffee price was higher than it had been for a very long time; other exports had increased; there was a wider confidence in the administration's competence, in governmental grip. The administration had paid careful attention to employment policy, particularly in the capital, which had seen a heavy public works program of a labor-intensive sort. The cost-of-living indices presented a varied but generally undramatic picture, a rather stagnant contrast to the government's wilder pretensions but nothing that looked at first sight to be the root of the discontents that became manifest on April 19. President Lleras was not exactly popular—so far, Colombian Presidents have been popular only very rarely and very briefly—but he was credible, and his enormous administrative efforts were acknowledged even by those who thought that within the present system such efforts could be of little use. But a comparatively favorable economic situation and the best administration the coalition had seen resulted in the highest turn-out ever of the coalition's opponents. A partial explanation can be found in a close look at that administration.

### THE PERSONALITY OF LLERAS

Carlos Lleras Restrepo is an unfashionable figure—a dedicated reformist. He has had a long political trajectory in the Liberal party and though he may not have all the *finesse* of some of its other leaders, he has shown greater persistence. He is an economist in much more than the usual polite Latin American sense and a man of wide experience in business and the law. He is a dominator of experts, an impressive man of constructive vision, who does not temper his criticisms of his countrymen. It has been said that the near failure of his efforts to secure a successor acceptable to himself, to his party and to his theories of government was attributable to these virtues.

He favored Colombian technocrats (years of experience having made him skeptical about freshly imported wisdom), but Colombian technocrats have a certain political weakness: their manner of government is per-

haps less accessible; their education and expertise may divorce them from particularly Colombian political considerations. They are not generally of humble origin—a conclusion that a glance at the Colombian educational system makes inescapable—and they are not necessarily strong in political connections. The technocrats might be said to come from a wealthy background, rising through technical competence, then moving into politics and acquiring some independent standing. In the earlier stages of such a career, the protagonist has some difficulty in publicizing his achievements. Often, the government's genuine achievements were weakened in their impact by a lack of political flair in their conception and execution.

The President was also accused of ignoring the existing political class in making many of his appointments, of exercising—from whatever motives—a "*monopolio político*." He himself was also extremely and impartially critical in many of his utterances, attacking (in the case of the Bavaria brewery) both employers and employees; elsewhere he castigated tax-evaders with a severity unmatched by the opposition, and in front of a middle-class audience paying higher taxes than ever before. Landowners, industrialists, bankers—all were attacked, and Congress was attacked as well. These attacks were combined with energetic and critical provincial tours which brought them to the local level. Most of them certainly were merited, and they were read and listened to, and although they did not make Carlos Lleras Restrepo popular, they did discredit his victims. What he said about his own government may not have been believed; what he said about the rest was all too credible.

This attitude of beleaguered seriousness contributed to the *Reforma Constitucional's* provisions whereby, in 1970, congressional and presidential elections were for the first time held together: Lleras wished, in a parliamentary manner in a presidential system, to stake all on the one throw, and to return a President who would continue his work backed by a friendly Congress. The results of the election showed that the constitutional reform was by



no means necessarily favorable to such an outcome. The attempt was also novel: strange as it may seem to observers abroad, the three previous Presidents had not emerged from a system of *continuismo* pure and simple: Guillermo León Valencia's regime was not a continuation of the regime of Alberto Lleras Camargó, and even less was Lleras Restrepo's regime a continuation of Valencia's. Pastrana was billed as the successor of Lleras Restrepo, and that was not a political advantage. Lleras's government had produced some reaction, and the organizational innovations that were to provide alternative support against that reaction did not have the breadth, the success or the time to take hold.

There were the taxes: the President himself had demonstrated that the rich did not pay. The middle class paid, terrified by computers, a new weapon of bureaucratic prestige; they paid before they could claim that the assessment was too high. The *valorización* tax fell on those who benefited from urban improvements without any necessary correlation with their ability to pay, or so it was widely believed. All this rather knocked the stuffing out of some of the classes naturally in favor of the regime, and produced a general sense of fatigue as the government drove harder.

The fatigue was not counteracted—and both the campaign and the elections showed this—by the new organizations the government supported, *Acción Comunal* and those set up under the agrarian reform program. The positive effects of these organizations in terms of *convivencia*, tolerance in a too sectarian country, and quality of life are one thing; their short-term political effect is another. *Acción Comunal* does not seem to have been of any direct political use as official *maquinaria*. Agrarian reform, its achievements very moderate, does not seem to have had any pro-government effect in votes. The transfer of political control from some *cacique* or local boss to an institution run directly by the government is seen as very hazardous in the presence of a strong opposition such as General Rojas's movement. *Caciques* as a whole got less than usual out of Lleras's government, which used other

channels and turned a deaf ear to their usual representatives. Some local results of the 1970 election show them taking their followings into the camp of ANAPO, which in the rural areas has courted them assiduously in a polite and traditional manner, the style that the older leaders of conservatism complain that the bright young men have forgotten.

### THE ROJISTAS

In the cities, the *Rojistas* had already secured automatic inclusion in the governmental process at some levels, as part of the same constitutional coalition designed originally to exclude them. Unnoticed by those who insist on the exclusive nature of the *Frente*, ANAPO has in practice had its (paid) senators and representatives, its members in departmental councils and a controlling position on the *Concejo* of Bogotá itself. Their tactic has not been one of obstruction: rather, they let the government perform under their vociferous pressure; they take the credit for what is then done; and they evade the inevitable blame because the performance is inadequate. The demands on the government are insatiable, and the opposition is therefore hard to fault. It is significant that in Bogotá the popularity of the mayor, Virgilio Barco, whose urban reform was designed to check the growth of ANAPO, rose at a rate only equalled by ANAPO. ANAPO had the organization, energy and intelligence to use the democratic opportunities blithely ignored by the rest of the Colombian opposition. It would not, however, have come as near to winning had it not been for miscalculations in the ruling circle themselves.

Under the constitution, the presidency for 1970–1974 should have gone to the Conservative party and, according to the theories of the predominant groups of the Liberal party and President Lleras, to a Conservative who would depend on Liberal support and be amenable to Liberal guidance. Misael Pastrana was the candidate indicated, acceptable to the Liberals and to their most faithful Conservative partners in the coalitions since 1958. It was not foreseen that his selection would split the Conservative party, result in a

field of three candidates all opposing General Rojas, and bring near defeat. For many Conservatives, Pastrana was too nearly the Liberal choice. For others, he was too young, too unblooded in the fighting from 1946 to 1957. Thus the senior Conservative figure, Mariano Ospina Perez, saw his faithful lieutenants of many years (whom he had considered personally unreconcilable) band together and refuse to accept his and Lleras's nominee, Misael Pastrana, as their official candidate.

Unable to agree, unable to withdraw, their illusions and calculations becoming steadily wilder and more precarious, three Conservative candidates ran. The party had no proper mechanism or discipline to prevent this, and carried a greater burden of past conflicts than its rivals. In former days, the Church used to help make its decisions; threatened with radical dissidence in the lower clergy, a divided and worried hierarchy now contented itself with a statement that the campaign was a scandalous waste of money in a poor country.

The Conservatives' failure to choose was compounded by growing divisions in the Liberal party. Symptoms that always appear in the last year of a President's term, these divisions were graver this time because of a scandal that impugned the government's vaunted honesty. The complications of the Vives-Peñalosa-Fadul affair cannot be evaluated here, but accusations of corruption in the Agrarian Reform program were ineptly chosen by the government as good grounds to vindicate itself. It chose its defenses badly and failed to make them complete. A minister then had to resign and the entire country listened to the best spectacular political "show" that it had enjoyed for a long time over the radio—which had escaped from any vestige of governmental or congressional control. The respectable were discredited and the complicity of private and public interests were exposed in an area near to the heart of the President's policies. A doctor's strike and the closing of the National University were

added to his problems. The sum of these events diffused discontent widely, and led to the desertion of a significant section of the Liberal party. Senator Vives was transformed from a rather *folclórico* local Liberal into a nationally-known *Anapista*, and in the course of this became an encyclopedia of potentially useful scandals.

*Petite histoire?* This is the background against which the rise of *Rojismo* must be seen, for these divisions and demoralizations gave it a real chance of power. It had the political skill and the organizational ability. The *Rojistas* were "*los únicos malos*" of 1958, but too small in number to matter in the euphoric self-congratulations of that time. Their first success came in the abortive trial<sup>2</sup> of General Rojas Pinilla, a partial martyrdom, and at least a partial political error. *Rojismo* had the advantage over the dissident M.R.L., (*Movimiento Revolucionario Liberal*) of being necessarily neither Liberal nor Conservative. Excluded from a Liberal-Conservative coalition, it evolved as an anti-coalition. General Rojas Pinilla himself would continue to respect the best in the Conservative heritage but his symbols and utterances would all be deliberately bipartisan. The rules of inscription under the *Frente*—a party slate had technically to be either liberal or conservative—were no real obstacle to his electoral progress, which, although always substantial, was never in the 1960's so violent as to alarm the enemy profoundly. His votes crept up gradually, the result of assiduous organization, persistence, excellent propaganda and a ruthless way with intellectuals. The General and his entourage had no alternative: the others had a chance of patronage and the *maquinaria*; but they did not have the stimulus of clear lines of competition and they neglected the local work of politics. They could not make up for these deficiencies in a short campaign.

In that campaign, most of the mass successes were won by the generals. The coalition, its own strategy controlled by "Bipartisan Committees," could not bring out its vote with any of the traditional cries, hates and excitements, because for the first time its cam-

<sup>2</sup> See Seymour W. Wurfel, *Foreign Enterprise in Colombia* (Chapel Hill: University of North Carolina Press, 1965), p. 117.

paigh had no element of opposition or renovation. It was, in terms of advertising, radio and television, the most expensive campaign ever: the ANAPO could campaign more cheaply and did not have to hurry, and it was less disadvantaged than one might expect. Like the other parties, its members in office paid quotas to the party: unlike the others, its card-carriers, who are very numerous, paid 5 pesos each.

Indeed, the coalition's own lists were in themselves revealing; names which had not been in the front line for many years reappeared, as docile dependents proved harder to find. The new rules of election added to the risk and excitement, for it made pre-electoral compromises for the presidency less likely. No candidate could withdraw, for that would mean the sacrifice of his group's congressional ambitions as well as his own personal chances for the highest office.

So General Rojas and his industrious daughter Maria Eugenia, to whom his organization owed its energy and much of its day-to-day political sense, won 38 per cent of the vote, including every city except Manizales.

A comparison of the 1968 congressional votes and the returns in 1970 shows the erosion of the *Frente*. Rojas attracted recent migrants and more younger voters, irrespective of their traditional party affiliations.<sup>3</sup> Misael Pastrana became President only after an exhaustive recount: the opposition exacted the additional humiliation of a state of siege.

### PASTRANA'S PROSPECTS

What are the prospects for Pastrana's government? His congressional position is very precarious. The selection of "*pre-candidatos*" for 1974 has begun earlier and more feverishly than ever—no major group appears willing to back Pastrana solidly for long. If they are to attempt to reconquer their lost

masses, the Liberals must adopt some dramatic strategy, and the only independent dramatic strategy is one of opposition. Conservative union is nowhere in sight. ANAPO has itself had its divisions in Congress and in the country, but it is wishful thinking on the part of its enemies to think that divisions will much detract from its main objective, the local elections of 1972, when for the first time in many years local power will be locally disputed in a meaningful manner. The anti-oligarchic potential of this should not be underestimated—the ANAPO tactics used in Bogotá can spread elsewhere, and undoubtedly will.

### AN INTERIM GOVERNMENT

It is humiliating to be regarded from the outset as an interim government, and speculation focuses on whether Pastrana's government can survive, or whether he can change the situation in his own favor. His position is not so weak as it appears: few of the elements who oppose him or support him with later treason in mind are really interested in weakening his position still further, for it is in the shadow of his steady weakness that they intend to grow. The elections of 1970 were dramatic; abstention did decline and, after such a demonstration, it may continue to decline. The major force of the opposition, whatever its momentary cries of fraud and of resort to *vías de hecho*, is committed to the electoral process. No sizeable group among the civilian politicians is interested in making Pastrana's future anything but a series of perpetual minor crises.

Except Pastrana himself. He has an agrarian reform scheme generally admitted to be in a state of great uncertainty and he faces the worst winter in 30 years, besides the enormous and perennial problems of the country. He has the nagging examples of Chile and Peru, fellow members of the Pacto Andino. Colombia also has an army, and were the civilians to press any crisis beyond a certain limit and so threaten public order, it would move. President Fernando Belaúnde

(Continued on page 117)

<sup>3</sup> See Rodrigo Losada L. and Miles W. Williams, "*El Voto Presidencial en Bogotá*." Survey carried out by the Department of Political Science, Universidad de los Andes. The author is indebted to Dr. Fernando Cepeda, the director of that Department, for insights too numerous to mention separately.

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*"After four decades of largely favorable economic conditions that in the past set Venezuela apart from most other developing countries in the hemisphere, the next 10 to 20 years may require painful political and economic readjustments, including greater emphasis on solving problems of unemployment and poverty."*

## Venezuelan Progress Reconsidered

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AFTER THIRTY YEARS of remarkable political and economic progress, Venezuela faces a critical testing period in the 1970's. The political process must adjust to a new situation in which several competing forces share electoral and legislative strength; urban voters are increasingly alienated from the established parties; and large segments of the population, particularly the urban poor, are inadequately represented in the organizations and interest groups that wield political power. The economic system must deal with a high level of structural unemployment, widely disparate income levels, an annual population growth rate of 3.6 per cent and the chronic issue of excessive dependence upon the foreign-owned petroleum industry. The way in which the politically dominant middle class responds to these problems will in large measure determine the success or failure of Venezuela's evolutionary and democratic approach to modernization.

Prior to World War I, Venezuela was a traditional agrarian society whose economic base had not changed since the colonial period. Agriculture employed about four-

fifths of the active population, generated most of the gross national product, and produced virtually all the country's exports. It also sustained an urban commercial sector which exported coffee, cacao and hides, and imported manufactured goods, reinvesting a large share of its profits in the production of export crops on the *haciendas*. From 1900 to 1920, Venezuela's commercial agriculture enjoyed a period of rising output and income.<sup>1</sup>

The public sector played a largely passive role in this traditional, agrarian economy. The budget was a modest share of the gross national product, since revenues depended heavily upon duties on imports and were diminished by smuggling, inefficiency and extensive corruption. Fiscal and monetary policies reflected nineteenth century liberal economic theory, emphasizing private property, free private enterprise and the attraction of foreign capital to enhance economic progress. But even if government officials had been inclined toward greater involvement in the economy, the limited domestic market precluded large-scale public investment.

Venezuela did not, however, attract large amounts of foreign capital before World War I. The stock of United States, British and Dutch investments amounted to \$44.4 million

<sup>1</sup> See, e.g., Federico Brito Figueroa, *Venezuela, siglo XX* (Havana: Casa de las Americas, 1967).

in 1912, most of it concentrated in concessions awarded for mining, public services, and internal improvements.<sup>2</sup> Much of Venezuela's small and scattered population (2.68 million in 1914) remained outside the money economy. This factor, coupled with the lack of transportation and communications, dampened the impact that these limited foreign investments might have had upon the growth and integration of the economy.

### AFTER WORLD WAR I

Events after World War I drastically changed the role of foreign capital in Venezuela. The war and the mass production of motor vehicles had created an unprecedented demand for oil in more advanced countries. As the violence of revolution spread over Mexico after 1913, threatening foreign petroleum investments, the industry began to shift its attention to opportunities elsewhere in Latin America. Venezuela offered rich oil deposits and a receptive dictator, Juan Vicente Gómez (1908–1935), who ran the country as his personal estate. By 1929, petroleum investments totalled \$253.7 million.<sup>3</sup> While the petroleum industry initiated the industrialization of Venezuela's agricultural economy, it also sustained the dictatorship of Gómez, who used petroleum revenues to preserve his political control.

The changeover from dependence upon agriculture to dependence upon petroleum came with startling rapidity. In the early 1920's, the world market for agricultural commodities entered a long period of secular decline, while the demand for petroleum be-

gan a 40-year growth trend. In a single decade (1920–1930), coffee and cacao fell from 92 to 15 per cent of Venezuela's exports, as petroleum rose from 2 to 83 per cent.<sup>4</sup> Prior to the petroleum era, Venezuela had grown most of her own food requirements, but by the mid-1930's she had become a large-scale importer of foodstuffs.<sup>5</sup> By 1936, petroleum ruled the Venezuelan economy. It earned over 90 per cent of foreign exchange and accounted for almost a 400 per cent rise in recorded governmental income in the period between World War I and World War II.<sup>6</sup>

The decline of agriculture and the rise of petroleum transformed the socio-economic foundations of Venezuelan life. The political strength of large landowners lingered on into the 1940's, but the economic power of rural Venezuela was becoming relatively unimportant as early as 1930. While elites continued to think of the country as an agrarian society, labor and capital were shifting out of agriculture and into the cities and oil regions. Unprecedented levels of government spending for public works, transportation, and communications accelerated this trend. Public investment, together with expanding commercial and business activity, stimulated a rapid growth of urban income and expansion of urban markets in the 1920's and 1930's. A small circle of established middle class families who for a century had provided managers, bureaucrats and professionals for the traditional economy could no longer meet the burgeoning demand for talent in government, commerce, small business and the professions. Employment opportunities offered social mobility to thousands, thus expanding the ranks of the middle class. By 1940, an estimated eight per cent of the labor force—about 100,000 persons—was employed in "middle class" occupations, nearly half in government and commerce.<sup>7</sup>

The brutal and highly personalistic dictatorship of Juan Vicente Gómez ended with his death in December, 1935, clearing the way for the expanding urban middle class to enter the political arena. The requirements of an increasingly complex society could no longer

<sup>2</sup> *Ibid.*, p. 121.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*, p. 168.

<sup>5</sup> República de Venezuela, Ministerio de Fomento, Dirección General de Estadística y Censos Nacionales, *Anuario estadístico de Venezuela 1938* (Caracas, 1939), pp. 187–206.

<sup>6</sup> *Anuario estadístico 1965*, p. 285.

<sup>7</sup> Otto G. Feinstein, *The Role of Foreign Investment in the Development of Venezuela* (Ph.D. dissertation, University of Chicago, 1965), p. 142. Government employees included several thousand teachers, mailmen, and telegraph operators; see *Ahora*, Caracas, July 17, 1942, p. 3. See also José A. Silva Michelena, "El siglo XX," *Cuadernos de Ruedo Ibérico*, No. 22/24, December, 1968–May, 1969, p. 99.



be met by government tactics designed to serve a single individual and his cohorts. Although supported by conservative elements from long established middle class segments, Gómez' successors were progressively less able to contain the pressures for change unleashed by his economic policies. A counter-elite led by Rómulo Betancourt, organized as the reformist *Acción Democrática* party (A.D.), challenged and eventually overthrew the uncompetitive political system sustained under Presidents Eleazar López Contreras (1936–1941) and Isaías Medina Angarita (1941–1945).

Since 1936, the struggle between competing political forces of the urban middle class to control the pace and direction of modernization has characterized Venezuela's development. But despite bitter rivalries, urban middle class groups have shared areas of similar perceptions imposed by the continuing influence of Venezuela's past. On the eve of World War II, for example, the A.D., as well as its conservative opponents, viewed the country as an agricultural nation whose industrial potential was severely limited by underpopulation, a small domestic market and a lack of technology.<sup>8</sup> Although agriculture no longer constituted the dominant sector of the economy, analyses of the period treated its revival as a panacea for distortions ranging from an adverse balance of payments and the high cost of living to unemployment

and the exodus of peasants from the countryside.<sup>9</sup> European immigration gained considerable acceptance among the urban middle class as a means of raising agricultural productivity and improving the physical health and ethnic quality of the rural population.<sup>10</sup>

A second area of agreement concerned foreign capital. The urban middle class, including the A.D., has consistently welcomed foreign investment and technology as essential ingredients of industrial development. When conservatives or reformers attacked the petroleum industry, they usually did so from the standpoint of its relationship to the Gómez regime or its adverse effect on traditional and export agriculture. While A.D. leaders utilized the rhetoric of Marxian socialism, their anti-imperialism implied only increased controls over foreign investments, never their nationalization. Only when World War II cut off the flow of commodities from abroad, revealing with shocking clarity Venezuela's economic dependency, did the urban middle class begin seriously to consider industrialization oriented toward import substitution.

Shared perceptions of problems, however, did not mean agreement on a strategy of modernization. The conservative urban groups influential in the López Contreras and Medina governments from 1936 to 1945 favored economic development led by the private sector, with a gradual and controlled growth of political participation. Universal suffrage and direct elections seemed less urgent to men whose participation in an exclusive political system was secured by family and socioeconomic status as well as by talent. The conservatives were reluctant to subject their recently acquired political power to popular vote by rural masses about whose preferences they did not feel secure.<sup>11</sup> Throughout most of the decade, the right to vote was limited to literate males, in a country whose population was largely illiterate.

The conservative position, however, was challenged from the left by the A.D. Its aggressive, reformist leaders based their approach to modernization on immediate, widespread political participation and a dynamic

<sup>8</sup> Alberto Adriani, Minister of Agriculture and Minister of Finance under President López Contreras, and a man highly regarded by both conservative and liberal leaders, summarized this view: "[A] country of scarce population, poor in capital, with a market whose limitation does not permit the establishment of a prosperous industrial economy, Venezuela for a long time will have to be an agricultural and mining country. This does not exclude the presence of some industries that have the possibility to live and even prosper." *Revista de hacienda*, July–September, 1937.

<sup>9</sup> For the liberal view, see Rómulo Betancourt, *Problemas venezolanos* (Santiago: Talleres Graficos "San Vicente," 1940), pp. 172–174; for a more conservative view, see Arturo Uslar Pietri, "Venezuela necesita inmigración," *El Universal*, Caracas, July 27 to 30, 1937.

<sup>10</sup> Uslar Pietri, *ibid.*

<sup>11</sup> Ramon Díaz Sanchez, *Transición* (Caracas, 1937), pp. 124–127; and Eleazar López Contreras, *Gobierno y administración 1936–1941* (Caracas, 1966), pp. 9, 12, 18–19.

interventionist role for the state as the primary agent of socio-economic development. Their economic ideology did not reject capitalism and free private enterprise, but they believed that long years of dictatorship under Gómez had left Venezuela's private sector too weak and unimaginative to lead the development process. Lacking the political power to apply its solutions, the A.D. sought to organize the rural and urban population into parties, labor unions, *campesino* leagues and professional associations that could be used as resources to force open the political system.<sup>12</sup>

### A SUCCESSFUL REVOLUTION

In October, 1945, the A.D. joined educated young military officers to overthrow the government of General Isaías Medina Angarita. Their successful revolution shattered (but did not completely destroy) the power of a political order that had survived since 1830. The A.D. leaders assumed political control of Venezuela and soon demonstrated the modernization strategy they intended to follow. They revised the political system to allow the hitherto disenfranchised masses to vote in direct elections for the President and legislative representatives. They encouraged the organization of rural and urban workers unions and, albeit with considerably less vigor, supported the creation of new parties. Taxation policies were redesigned to give Venezuela a larger share of revenues from the petroleum industry. Public investment flowed

into import-substituting industries, education and public health programs, and—above all—programs aimed at redistributing rural income and improving agricultural productivity.

It is important to realize, however, that these economic policies did not constitute a complete break from directions set in the 1936–1945 decade. The Medina administration's efforts to protect the economy from the adverse effects of World War II set clear precedents for expanding the role of the state in socio-economic development; and the constitutional reforms of 1944–1945 took a limited step toward enlarging political participation. Conservative middle class leaders were concerned with national economic independence, rural development, and improving the socio-economic welfare of the masses; but they emphasized more moderate approaches than did the A.D. and moved slowly and hesitatingly toward implementing their goals.<sup>13</sup> Venezuela's urban middle class thus reveals important threads of consistency in the economic and political directions followed since 1936.

Venezuela's experiment in participatory development, however, lasted only three years before succumbing to the polity's inexperience with representative democracy. In November, 1948, a military counter-revolution, led by essentially the same officers who had collaborated with the A.D. in 1945, toppled the administration of Rómulo Gallegos, a renowned novelist, a party leader, and Venezuela's first President to be elected under a system of universal suffrage and direct elections. A military dictatorship, headed by Colonel Marcos Pérez Jiménez, ruled Venezuela for the next decade.

### THE PERSPECTIVE OF THE 1960'S

Representative democracy returned to Venezuela in 1958 after 10 years of dictatorship, during which the country sustained the highest economic growth rate in the hemisphere. With the resumption of democratic government, however, Venezuela entered Latin America's "decade of development" embroiled in economic recession and urban unrest. *Acción Democrática's* Rómulo Bet-

<sup>12</sup> John D. Martz, *Acción Democrática: Evolution of a Modern Party in Venezuela* (Princeton: Princeton University Press, 1966), Chapters I, II; and John D. Powell, "Preliminary Report on the Federación Campesina de Venezuela," Research Paper No. 9, Land Tenure Center, University of Wisconsin, September, 1964.

<sup>13</sup> Andres Eloy Blanco, a renowned Venezuelan poet, legislator, and one of the founders of A.D., captured this difference in a 1944 speech before the National Chamber of Deputies: "The difference . . . between the initiators of the present constitutional reform and us is that they—and I include among them President Medina—believe as we do, have the same aspiration [to expand suffrage]; the difference is one of strategy. They have a more prudent strategy to attain the goal more slowly [while] we believe that the Venezuelan population is already capable of greater advance." In Luis Pastori, ed., *Andres Eloy Blanco, parlamentario* (Caracas: Publicaciones del Congreso de la República, 1968), Vol. I, p. 587.

ancourt won the 1958 presidential election with almost half the total popular vote, backed by an agreement of national unity with the two major competing parties, *Unión Republicana Democrática* (U.R.D.) and *Comité de Organización Política Electoral Independiente* (C.O.P.E.I.). The election, however, proved to be the high point of solidarity among the urban middle class parties, and political hostilities dating back to the origins of these movements in the 1930's and 1940's soon undermined the coalition. Migratory waves of *campesinos* invaded the major urban centers, a migration largely restrained under Pérez Jiménez, weakening the A.D.'s predominantly rural base of support. Unemployment reached 15 per cent in 1962, a year during which economic growth virtually stopped.

Problems of unemployment and poverty, however, appear less formidable in Venezuela than in other developing countries. Venezuela's wealth in oil resources, readily accessible and extensively exploited over the past four decades, together with a small population of 10 million people for her relatively large and mostly inhabitable land area, have made Venezuela appear comparatively unconstrained by the typical resource limitations and attendant bottlenecks facing other emerging nations. During the 1960's, however, proved oil reserves were depleting and population was growing too rapidly, leading to the deterioration of social conditions in urban slums. Although income distribution reflected the highest per capita income in Latin America, one-fifth of the urban and two-fifths of the rural population were living at subsistence levels.

Although unemployment apparently had declined in 1969 to about half its 1962 level, Venezuela's economic growth averaged less than five per cent annually during this period—meaning that it probably failed to generate enough new jobs in modern economic activities to absorb the five per cent rate of urban labor force expansion. Moreover, industrialization in Venezuela, as in most other developing countries, involves the transfer of capital intensive technology from advanced

countries; yet the new industries typically operate at lower levels of efficiency and capacity utilization. Thus productivity may not only grow less rapidly than in advanced countries, but employment expansion is also constrained by identical technologies that determine input requirements. When economic growth does accelerate, it may be largely as a result of productivity gains through improvements in operating efficiency and capacity utilization, without necessarily accelerating the rate of employment expansion.

Urban employment among recently arrived *campesinos* who inhabit the burgeoning slums (*barrios*) in and around Venezuela's major cities is precarious at best, consisting of petty trade and services and menial labor on public works projects. Unemployment estimates may not reflect the actual level of unemployment among the approximately 20 per cent of the urban population living in the *barrios*. Sample surveys, on which such estimates are based, may fail to account fully for unemployment, involuntary part-time employment, or reductions in labor force participation when employment is unobtainable. Nor do unemployment statistics distinguish accurately between cyclical variations and a structural gap in work opportunity—the consistent inability of the economy to provide enough productive employment for new entrants into the labor force. And structural unemployment itself is only part of Venezuela's larger social issue of growing poverty among *barrio* dwellers, with its related problems of malnutrition, poor education, and social and political alienation from the established middle class.

Economic indicators over the past decade suggest that Venezuela faces increasing constraints of economic growth, complicated by rapid population growth and insufficient social development. Most immediately critical to Venezuelan economic performance is the oil industry. During the 1960's, it accounted for nine-tenths of total foreign exchange earnings, one-fourth of gross national product, and two-thirds of government revenues. Three-fourths of gross foreign investment is in oil, compared with an alloca-

tion of only one-tenth of domestic investment, reflecting the government's policy of "sowing the petroleum." The ratio of proved oil reserves to yearly production, however, declined from 16.7 in 1960 to 11.3 in 1969, and the sector's growth rate declined from an annual average of seven per cent during the 1950's to three per cent during the 1960's. Rising domestic consumption, international competition, and lagging exploration of new oil fields while concessionary arrangements with foreign companies were being replaced by service contracts compounded the economic problem of diminishing oil revenues.

Significantly, G.N.P. growth in real terms dropped to 3.5 per cent in 1969. Industrialization slowed down considerably, with manufacturing output dropping from 8.8 per cent annually during 1955-1960 to an average of 7.2 per cent for the period 1964-1968. Manufacturing industry constitutes only about 15 per cent of national output, an unimpressive proportion so far. Only the services sector, including government activities, rivals petroleum's contribution to total output.<sup>14</sup>

Agricultural production contributes only about seven per cent to national output, and thus plays a minor but a now relatively stable role in the country's economic development. The A.D.'s emphasis on rural transformation during the 1945-1948 *trienio* was followed by almost complete neglect of the interior during the Pérez Jiménez dictatorship, resulting in a sharp expansion of food imports. During the A.D. governments of Betancourt (1959-1963) and Raúl Leoni (1963-1968), however, extensive public investments, averaging 10-12 per cent of the annual national budget, substantially increased agricultural production.

Public works and publicly encouraged mining and industrial projects in the 1950's

and 1960's represent potentially significant—even dramatic—contributions to economic development. In opening the Guyana region in eastern Venezuela to mining and industrialization, and in creating a multi-campus land grant university in this previously undeveloped region, the A.D. governments have attempted to decentralize development. Yet rural emigration has been toward the older cities rather than toward newly developing regions. It remains a fact of life that Caracas, Valencia, Maracaibo and other cities of the developed central and western areas are the centers of political influence over the allocation of national resources. The high cost and long gestation of heavy investments in social infrastructure and mining and industrial projects, intended to yield substantial social benefits, represent a national gamble. The potential rewards are successful completion of the country's transition from a traditional agrarian society prior to the 1930's to a fully developed industrial society before the end of this century. The serious risk of failing to make this transition, however, may be increasing rather than diminishing.

Political considerations have strongly influenced recent development policy choices in Venezuela. *Acción Democrática* returned to power in 1959 with a long-standing commitment to redress the desperate poverty and social deprivation of the peasantry. Since 1936, when two-thirds of the population lived in rural areas, Rómulo Betancourt and the urban reformers he led had sought to mobilize the peasants as a base of political support, promising in return land and income redistribution.

On the strength of this appeal, together with intensive organizational efforts during the *trienio* (1945-1948), the A.D.'s rural political base survived the Pérez Jiménez dictatorship, brought victory in the elections of 1958 and 1963 and contributed to the maintenance of rural stability during the politically turbulent years of the early 1960's. In return, the A.D. governments channeled extensive public investments into both agrarian reform and commercial agriculture during the 1960's.<sup>15</sup> But although Venezuela is now

<sup>14</sup> "The Venezuelan Economy," special supplement, *The Daily Journal*, Caracas, October 23, 1970, *passim*.

<sup>15</sup> Unpublished data prepared by Jorge Schuster of the Venezuelan Ministry of Agriculture, mimeo., February 15, 1966, indicating that public investment of well over one billion dollars was channeled into the agricultural sector between 1960 and 1965, which represents 10 to 14 per cent of the national budget for those years.



approaching agricultural self-sufficiency, the agrarian reform has been only marginally successful in creating a class of productive small farmers.

Despite the continuing and even growing needs of the rural areas, Venezuelan governments and political parties seeking popular support must increasingly direct public expenditures and political appeals to the 70 per cent of the population now living in the urban centers. The failure of A.D. to find common political and economic denominators for rural and urban Venezuela contributed to its defeat in the national elections of December, 1968. During the 1960's, the party steadily lost ground in the cities while its rural strength was being eroded by migration and competition from other parties (principally C.O.P.E.I.). Weakened in its electoral support, A.D. also suffered from generational and ideological divisions among its leaders. It lost the presidential election by a slim margin to C.O.P.E.I., a Christian-socialistic party led by Rafael Caldera and other urban middle class leaders who had opposed the A.D. movement since the 1930's and 1940's.

Although the 1968 elections demonstrated that the Venezuelan polity had reached a level of political maturity at which key groups respected constitutional rules for the orderly transfer of authority, the urban middle class is now badly split. The four parties it dominates together received nearly 99 per cent of the vote in the presidential elections, but Caldera won with only 29 per cent of the total.<sup>16</sup>

In this new and highly competitive phase of Venezuelan politics, a crucial test of political and economic strategy will be the extent to which neglected urban groups are brought into the mainstream of socio-economic development, which up to now has been the domain of the middle class and organized interest groups. In the three presidential elections since 1958, voters in Caracas and

Venezuela's other five largest cities have rejected candidates of A.D. and C.O.P.E.I. in favor of independent candidates running on coalition slates. In 1968, former dictator Pérez Jiménez, running for the Senate in an anemic, low-cost campaign, swept 15 of the 16 Caracas voting districts, winning large blocs of votes in immigrant neighborhoods and in the huge public housing projects. Residents of Caracas apparently split their vote, as they had in previous elections, the wealthier neighborhoods voting for C.O.P.E.I., the more populous lower working class neighborhoods voting for the independents.

### SPECULATION ABOUT THE 1970'S

Since the beginning of the petroleum era in the 1920's, Venezuela's cities have been centers of political unrest and resistance to incumbent governments, but until mid-century they faced a more conservative and stabilizing rural majority. With the demographic inversion over the past two decades, most critical among Venezuelan social problems in the 1970's is the lagging absorption of rural migrants into modern urban economic life. Yet the proportion of urban residents living in abject poverty is only about one-fifth of the total; and unlike the peasantry, the urban poor are not well enough organized to exert effective political influence within established middle class parties. The rejection of these parties by lower income groups in the cities, however, raises the possibility of a growing political division between such groups and the middle class. The

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George W. Schuyler is completing a study on the origins of *Acción Democrática*, for which he recently spent a year of research in Venezuela. Dieter K. Zschock has published several studies, including *Manpower Perspective of Colombia* (Princeton: Industrial Relations Section, 1967), and "Health Planning in Latin America: Review and Evaluation," *Latin American Research Review*, Fall, 1970. In the past, the coauthors have worked as Ford Foundation staff members in Venezuela and Colombia.

<sup>16</sup> Electoral vote distribution: COPEI, 29.08%; A.D., 28.24%; Frente Nacional Democrático, 22.27%; Movimiento Electoral del Pueblo, 19.32%. Source: *New York Times*, December 10, 1968, p. 9.



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*Evaluating the progress of the third government of Brazil's revolution, this specialist points out that "Over the longer run, the outlook for Brazil's achievement of national integration and world power status seems to hinge on two problematical developments . . . a non-violent transition to constitutional government . . . [and] the hoped-for national capability in science and technology. . . ."*

## Brazil's Third Government of the Revolution

BY ROLLIE E. POPPINO

*Professor of History, University of California at Davis*

ON MARCH 31, 1964, the Brazilian armed forces seized the reins of power to save their country from chaos, corruption and communism. The military commanders recognized that the economy and body politic were in desperate straits and, in the manner of physicians called in to rescue a dying patient from the hands of quacks, prescribed unpalatable remedies and intensive care. The prescription worked. The patient rallied under Marshal Castello Branco and experienced a remarkable recovery during the administration of Marshal Costa e Silva. The third government of the revolution, headed by General Emílio Garrastazu Médici, has added a new flavor to the medication, but it continues to administer essentially the same prescription. Moreover, it has announced that the treatment is to continue indefinitely.

There is no question that political power in Brazil lies with the armed forces to a greater extent than ever before, and that military leaders are reluctant to surrender real authority to the civilian politicians clamoring for the restoration of democracy. As the representative of the armed forces, President Médici holds greater powers than either of his "revolutionary" predecessors, and he has

employed these powers to tighten control over the political process. In following this course, begun in 1964, he faithfully reflects the attitudes of the officer corps, which traditionally has held career politicians in low esteem.

The military remains convinced that self-serving civilian officeholders, who put personal interest ahead of the national welfare, were largely responsible for Brazil's plight in the early 1960's. Thus, even though the military came to power initially with the active support and consent of moderate-conservative political groups, it has worked steadily to reduce the role of professional politicians in the formulation of national policies. Each time civilian politicians sought to assert independent authority, in the name of the revolution or against it, the military high command changed the rules to disarm them. In a series of Institutional Acts, which take precedence over the constitution and are not subject to review by legislature or judiciary, the high command granted the chief executive discretionary powers. These powers were used to deprive over one thousand critics of political rights and office for periods up to ten years, to abolish the old political parties, to retire public servants, to recess uncoopera-

tive municipal councils and state assemblies, and to emasculate the Congress. Under Institutional Act No. 5 of December 13, 1968, the Congress itself was recessed indefinitely, thus closing the last national forum of professional politicians. Thereafter, President Costa e Silva ruled by decree without let or hindrance from political parties.

General Médici's enhanced authority stems not only from the accumulation of discretionary powers that accrued to the office of President under Castello Branco and Costa e Silva, but also from the unusual circumstances in which he reached the presidency. On August 31, 1969, President Costa e Silva suffered a massive stroke and was unable to exercise the functions of his office. The military high command promptly intervened. Within hours, when the Brazilian people were informed of his illness, they also learned of Institutional Act No. 12, authorizing the three military Cabinet ministers to assume the executive power during the temporary incapacitation of the President. In this way the civilian Vice President, a professional long active in national politics, was given no opportunity to dilute the military control of the administration.

The three-man junta was almost immediately confronted with the kidnapping and ransom of U.S. Ambassador C. Burke Elbrick. In dealing with this crisis, the junta strengthened the punitive powers of the regime with Institutional Acts No. 13, of September 5, and No. 14, of September 10, 1969, which provide respectively for the banishment of persons deemed dangerous to national security, and for the death penalty in cases of subversion or revolutionary war.

When it became evident that Costa e Silva would not soon recover from his illness, the junta met privately with the top commanders of the three services to choose a permanent successor. They looked for an army general capable of maintaining the cohesion of the armed forces in support of the program of the revolution. The choice fell on October 6 to General Médici, who was little known outside military circles although he had recently been Costa e Silva's chief of intelligence.

Admiral Augusto Rademaker, Minister of the Navy, was indicated as Médici's running mate. In the event that Médici should not serve out his term, a reliable military Vice President would be on hand to replace him. To provide legal sanction for the transfer of power, on October 14, 1969, the junta issued Institutional Act No. 16, which declared the offices of President and Vice President vacant and summoned Congress to elect candidates for a term ending March 15, 1974.

## **A NEW CONSTITUTION**

The authority of the incoming President was reinforced before his formal election, when the junta promulgated the constitution of October 17, 1969. This was a sweeping revision of the 1967 charter, drafted earlier by the Costa e Silva administration to expand the responsibilities of the executive and to restrict further the limited independence of legislators. Under its provisions, the President is authorized to legislate in matters affecting the national security, public finances and the size of the federal bureaucracy, while the Congress is reduced in size and its members are denied immunity from arrest on charges of defamation, calumny or attack on the national security. Moreover, legislators who change parties or violate the voting instructions of party leaders shall lose their mandates.

These rules were in effect when the Congress met on October 22, 1969, for the first time in ten months. ARENA, the administration party, which was not consulted in the selection process, promptly nominated Emílio Garrastazu Médici and Augusto Rademaker as its candidates. The two men were elected without opposition on October 25, 1969, and took office five days later.

The advent of the new administration was greeted with optimism by those who hoped for an early return to democracy in Brazil. The Congress was once more in session and the two political parties were again active, preparing for the indirect gubernatorial elections and direct legislative contests in October and November, 1970. Furthermore, in his first public statement as President-designate,

nate Médici had acknowledged that Brazil was "living under a system that we cannot consider fully democratic," and announced that "at the end of my term I hope to leave democracy established in our country." These views were reiterated periodically, but with the passage of time it became apparent that the President and the politicians had conflicting attitudes toward the urgency for political change and toward the concept of democracy itself.

Within three months of taking office Médici was insisting, over the protests of ranking members of both parties, that he would neither surrender the emergency powers he enjoys under Institutional Act No. 5, nor relax his direct personal control of the administration party. In March, 1970, he made it clear that the revolutionary regime would last "as long as it might take to implant the political, administrative, juridical, social, and economic structures capable of raising all Brazilians to a minimum level of well-being." In the ensuing months, as national head of his party, Médici openly handpicked its gubernatorial candidates, leaving little room for the rough and tumble of intramural politics. On October 3, 1970, ARENA majorities in 21 of Brazil's 22 state legislatures dutifully elected all his choices. This situation, and the poor showing of the opposition M.D.B. party in the November elections, suggest that Brazil is moving toward a political system in which elected office at all levels will be held by members of a single, disciplined party immediately responsive to the policies and directives of the chief executive. Médici may have contemplated political evolution along these lines when he told a Pôrta Alegre audience in October, 1970:

... nothing is more natural than that Brazilian democracy be shaped by the exigencies of our social conditions. . . . I believe that the Brazilian nation, in the full exercise of its sovereignty, is capable of political self-determination, imposing on the democratic system . . . the features that best meet the interests of the people.

#### MINORITY OPPOSITION

The great majority of the Brazilian people, convinced either that nothing should be done

or that nothing can be done to change the present course of events, accepts the Médici administration on its own terms. A tiny minority, however, regards the regime as an oppressive dictatorship that must be overthrown by force. The underground opposition includes half a dozen sometimes cooperating, sometimes bickering organizations made up chiefly of student-age idealists led by dedicated Marxists of varying hues. Most consider themselves Communists and look to Ché Guevara, Fidel Castro, or Mao Tse-tung for inspiration. Their strategy, outlined by Carlos Marighela late in 1968, calls for a campaign of violence and terrorism in the nation's cities, to be followed by guerrilla warfare in the countryside.

The terrorists gained exaggerated notoriety with the kidnapping of Ambassador Elbrick eight weeks before Médici came to power. The Brazilian government released 15 subversives from prison as ransom for Elbrick. Despite the death of Marighela in November, 1969, the terrorist campaign intensified during the first half of 1970. While the campaign scarcely disturbed the normal routine of the citizenry, every month a plane was hijacked to Cuba; armed bands robbed banks; and well known guerrilla leaders like Joaquim Câmara Ferreira and ex-army Captain Carlos Lamarca slipped in and out of the country with apparent ease. In March, the Consul-General of Japan was kidnapped in São Paulo and exchanged for five prisoners flown to Mexico. The high point was reached in June, when the German Ambassador was abducted and held until 40 prisoners had been given asylum in Algeria. Meanwhile, the army destroyed two rural guerrilla training operations and the police improved their intelligence capabilities.

The fortunes of the urban guerrillas began to decline in July, 1970, when police thwarted a hijack attempt and a kidnapping plot, each designed to free 40 prisoners. Public opinion repudiated the terrorists' tactics, and disillusioned young subversives soon began surrendering voluntarily. More defections and arrests followed. From Recife to Pôrta Alegre, subversive cells were discovered and

raided. In October, Joaquim Câmara Ferreira acknowledged that the police had imprisoned about 200 important comrades and claimed that over 2,000 subversives were in jail. His capture and death later that month dealt the terrorist movement a serious blow. The abduction of the Swiss Ambassador in December, 1970, however, demonstrated that police claims of total victory were premature. The subversive movement continues as an embarrassment, but not as a serious threat to the security of the regime.

The treatment of political prisoners in Brazil has been the subject of a well coordinated propaganda campaign launched shortly after Médici took office. Charges disseminated by a self-styled Brazilian Information Front in Paris and widely circulated in European and United States news media have purported to prove that thousands of political prisoners are the victims of a systematic policy of torture at the hands of their captors. Even though none of the 60 prisoners released at the behest of kidnappers between September, 1969, and June, 1970, showed any traces of physical maltreatment by their jailers, the charges of torture have continued to mount and have provoked comment by the United States government, the Papacy, the International Commission of Jurists, and the Organization of American States. The Médici administration, after ignoring the charges for several months, has flatly denied the practice of torture or the detention of political prisoners in Brazilian jails. It has acknowledged the presence of several hundred subversives arrested and facing trial as common criminals for abduction, robbery and murder. At the same time, the government has steadfastly refused, on the ground of national sovereignty, to permit representatives of any international body to inspect conditions in the prisons.

The whole truth is not likely to be known for sometime. Clearly, many of the allegations concerning the number and treatment of prisoners are grossly exaggerated, and the charge that the Brazilian government pursues a systematic policy of torture is a patent distortion. But it is equally clear that in its defense of national security the regime has

denied habeas corpus and has authorized preventive arrest and detention for indefinite periods without specific charges. The longer such a situation is allowed to persist the more likely it is to erode sanctions against the abuse of police power and to wink at violations of the fundamental human rights to which Brazil subscribes as a member of the United Nations.

As the champion of such rights the traditionally apolitical Church in Brazil has been drawn increasingly into the controversy over subversion and torture. During the past two years, a number of Roman Catholic nuns, priests and monks have been arrested and allegedly tortured for aiding and abetting subversion, and several bishops have been publicly accused of the same crime. The Council of Brazilian Bishops has not formally endorsed a single charge of torture, for lack of irrefutable proof, but it has roundly condemned torture in any form. Individual prelates, moreover, have been outspoken in insisting publicly that all prisoners must have the right to habeas corpus and normal trial procedures. Although the Médici administration has not been willing to accede to these demands, it has issued strict instructions that no clerics may be arrested except on direct orders from the executive. The action of the bishops and the reaction of the administration constitute tacit recognition of the fact that the Church at present is the only national institution able and willing to challenge the revolutionary government.

### **AN ECONOMIC BOOM**

While the tumult and shouting continue in Brazil and abroad over the Médici government's handling of the political situation, the regime receives broad support for its approach to economic development. Brazil today enjoys unprecedented prosperity, and there is evidence that a somewhat larger segment of the population than ever before is sharing in the economic boom. All the standard indicators of economic expansion are favorable and are expected either to remain so or to improve. The gross national product—calculated on a new basis revealing a

higher and presumably more accurate growth rate—rose 9 per cent in 1969. Exports for that year approached \$2.5 billion, while imports were under \$2 billion, thereby pushing Brazil's accumulated foreign reserves to nearly \$1 billion. During the first half of 1970, overall exports rose 30 per cent above the level for the same period in 1969, and industrial exports were up by 86 per cent.

On the other hand, the rate of inflation and the rise in the cost of living reached 20 per cent and 24 per cent, respectively in 1969, but were held appreciably below the 1969 rates in the first six months of 1970. This fact prompted the finance minister to boast that Brazil is winning the battle against inflation without resorting to drastic economic measures. The five million Brazilians who now pay income taxes—as opposed to fewer than one million in 1964—may not agree that the process has been entirely painless.

The economic boom, nonetheless, has generated a great deal of capital, not only to finance vast economic development projects but also for the purchase of Brazilian-made consumer goods. Perhaps the most ubiquitous symbol of Brazil's prosperity is the Volkswagen. In July, 1970, after 13 years in operation, Volkswagen do Brasil turned out its millionth vehicle. The company expects to reach the two-million mark in only four years.

São Paulo, of course, continues to account for the lion's share of the nation's industry as well as for much of its agricultural production. Every region of Brazil, however, has felt the impact of the economic development policies of the revolutionary governments since 1964. The change has been most dramatic in the perennially depressed northeast where, in response to tax incentives, Brazilian industries have created 100,000 new jobs, thus improving the level of living of at least half a million persons. New investments, largely by firms based in São Paulo, are continuing at about \$150 million a year. Thus, despite the worst drought in two decades, which has forced the state and national governments to expand public works programs in the northeast, the abysmal poverty

of much of the populace is gradually being lifted. Other northeasterners are being attracted by offers of free land in the Amazon.

### **"DEVELOPMENT PROGRAM"**

The third government of the revolution is engaged in an ambitious scheme to integrate the regions and people of Brazil physically, economically and psychologically into one great nation, and to spread the benefits of a modern industrializing society more equitably among all sectors of the population. President Médici has summed up his policy in the word "development," but its execution calls for the simultaneous improvement or creation of viable systems of transportation and communications by land, air and water, a continuous increase in the production of petroleum and electric power, greater use of Brazil's vast mineral resources, modernization of agriculture and agrarian reform, education to raise the cultural and technological level of the Brazilian people, and effective settlement of the national territory. These multiple objectives were combined in the administration's National Integration Program and Social Integration Program introduced during 1970. The two programs should absorb much of the 18 per cent of G.N.P. that the Médici government plans to invest in development projects.

The interrelationship between the varied projects can best be seen in the Amazon area, whose rational settlement through colonization and regional development has been singled out as the foremost task of the Médici administration. The initial focus has been on penetration of the huge valley. Airports to accommodate jet-age travel are under construction at several Amazon communities, and facilities have been provided to link Manaus with all outlying reaches of the valley by radio. But by far the most innovative departure to date is the project to construct an east-west highway to connect the northeast with Peru, via Manaus, and a north-south highway from Cuiabá, in Mato Grosso, to Santarém, on the Amazon river. The Agrarian Reform Institute will distribute farm-size parcels along the right of way, and a new



town will be built every 100 kilometers. Construction of the trans-Amazon highway and the distribution of the first parcels of land began in September, 1970.

The Social Integration Plan, announced in August, 1970, is a device to increase the worker's share of the national wealth without raising wages or otherwise stimulating inflation. It provides that each firm shall contribute a small percentage of its profits and certain federal taxes to a national fund on which employees may draw to meet specified expenses, such as the purchase of a home. Some 13 million employees of private industry are affected. In October, 1970, a similar provision was introduced for public employees.

### EDUCATIONAL REFORM

The Médici administration is carrying out the most extensive educational reform in Brazil since the 1930's. Its purpose is to develop schools that will train the youth to meet the needs of the community. Primary emphasis is being placed on schooling for the working class at the elementary and secondary levels, where applied science and other "practical" courses are being added or strengthened. Through an intensive propaganda campaign and scholarships administered by labor unions, the administration plans to increase the number of students in elementary schools by 29 per cent and in secondary schools by 95 per cent in the next three years. The government is also investing heavily at the university level and beyond, improving the salaries and conditions of employment of professors and research scientists.

Realizing that Brazil is woefully deficient in the number of qualified scientists and technicians required by modern technology, the Médici regime has undertaken to provide training and employment opportunities to reverse the brain drain and to attract young people into scientific professions. Funds are channeled through a Scientific Development Fund. Current projects involve aircraft inspection, computer design for naval use, the application of nuclear physics in agriculture, and, with foreign assistance, construction of

a 500,000 kilowatt nuclear power plant which is expected to be in operation by 1973.

### FOREIGN POLICY

While the administration's attention has been directed primarily toward the underdeveloped sections of the mainland, it has not ignored the fact that Brazil is an Atlantic nation. On March 25, 1970, President Médici unilaterally extended Brazil's territorial sea from 12 miles to 200 miles from the coastline. To meet the navy's increased responsibilities for patrolling the territorial sea, the government authorized the construction of two ships and the purchase of four additional ones. Brazil now has the largest naval construction industry in Latin America and hopes soon to rival all but the major powers in this field. The expansion and refurbishing of the national merchant marine also receives high priority. The administration plans to double present tonnage by the mid-1970's, in large part with Brazilian-built ships.

These activities reflect Médici's conviction, shared by every Brazilian President for the past quarter century, that Brazil is destined to become a world power and should act the part. Médici has the wholehearted support of the Brazilian people in insisting that Brazil should be treated as an equal in the community of nations, and that her foreign policy on each issue should be determined strictly by the national interest. In this respect, while staunchly upholding the principle of nuclear disarmament, the government of Brazil still refuses to sign the nuclear nonproliferation treaty on the ground that the treaty would limit Brazil's independent development and

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*"No longer the unsullied hero of an idealistic revolution that was to be the "show-case" of socialism in Latin America, Castro now confronts one of the most important crises of his career."*

## Cuba Today

By DAVID D. BURKS

*Associate Professor of History, University of Indiana*

ON JULY 26, 1970, on the eighteenth anniversary of his abortive attack on the Moncada barracks, Fidel Castro described the economic position of Cuba in stark and bleak language. He said, "our enemies are saying that we have difficulties and in this case, they are right. They say that we have problems and, frankly, our enemies are right. They say that there is discontent and, frankly, our enemies are right." He continued in the same vein to an audience that some foreign observers reported as more than usually inattentive and unenthusiastic. In 1970, Castro faces an economic crisis of a magnitude equalled only by the 1961 military crisis of Playa Girón and the 1962 political crisis of the Escalante affair.

The July 26 speech was, as Fidel said, a report of highly secret, sector-by-sector data revealing failure after failure. Beef production which, in 1968, amounted to 154,000 tons, dropped in 1970 to an estimated 145,000 tons. Milk production declined 25 per cent in the first six months of 1970, compared to the same period in 1969. Among many other major sectors suffering absolute declines or goal shortfalls were paper and cardboard, bottles, tires and batteries, leather footwear, textiles and clothing, and soap and detergents. Only a few sectors either came close to objectives or experienced absolute increases: fishing, nickel, electrical energy, eggs and rice.

Although Castro's statistics were less revealing than he claimed because they mainly covered only two-year periods, they suggest significant deterioration in levels of living,

especially in the consumption of food and clothing. The several explanations for these failures, as he gave them in the July 26 speech, are basically accurate. The population of Cuba has grown to an estimated 8.2 million, compared to 6.5 million in 1958, despite the loss of some .5 million people in exile. This population growth and the larger percentage of non-productive children is a consequence of the government's health programs. One must add, though, that the government has refused to encourage birth control, although such techniques are not prohibited.

The dominant cause of economic failures, however, lies in other factors. Maladministration by a still overly centralized economic apparatus is one. In 1969-1970, massive shifts of unskilled labor to the sugar fields in the abortive effort to reach the 10-million-ton sugar crop wasted a prodigious amount of manpower. High rates of absenteeism and low labor productivity seriously hampered the economy, and Castro's commitment to moral incentives has prevented effective measures to check these major economic handicaps. A few months before the beginning of the 10-million-ton harvest, for example, Castro had urged that man should find "one of his major incentives in the content of the work itself. . . ."

Fidel's words began to have an even more hollow sound as worker assemblies were held in succeeding months to seek mass commitment to higher worker productivity. This pressure was reinforced by Law 1225 of August 29, 1969, which established a work-

record system for every Cuban as a basis for promotion. Even though this law pays lip-service to moral incentives, it calls for worker assemblies to judge the record of each worker and advise him on its improvement.

The serious nature of the Cuban economic problem was underscored when "old Communist" Carlos Rafael Rodríguez, negotiating in Moscow, agreed to the creation of a joint Soviet-Cuban economic commission. The exact powers of the new commission are unknown, although the Moscow announcement said the commission was the twenty-third to be formed with recipients of Soviet aid. In light of the well known Soviet displeasure with Castro's economic policies, the commission can only represent an effort at greater Soviet control.

As in the 1965 controversy when Che Guevara resigned from the government, Castro will perforce concede something to the Soviets. Castro himself is emphasizing decentralization of economic administration.

The 1970 sugar harvest was roughly 8.5 million tons, but the cost in the disorganization and disruption of the rest of the economy was inordinately high. The 1969 *zafra* was only 4.3 million tons and the 1971 crop, for which harvesting began in November, 1970, will not be very large. It is precisely sugar that buys most of the convertible currency Cuba so badly needs, and, as Castro admitted on July 26, the Cuban people are being deprived of part of the seriously restricted supply of food in order to augment exports.

## MILITARIZATION

These compelling economic problems led Castro in 1970 to replace several of his civilian ministers with military officers. This move can also be viewed as part of a trend that René Dumont has labeled the militarization of *Fidelismo*, referring to the heavy involvement of the military in economic and educational activity.

The status of the various constituent elements of the Cuban governmental system remains shadowy and ill-defined. Castro's penchant for personal government still prevents the emergence of a stabilized, Soviet-

style government administration controlled by the Communist party. The largest cadre is the ever growing officers corps run by Raúl Castro as head of Minfar (Ministry of Revolutionary Armed Forces). The military academies are training large numbers of officers. The new system of cadet schools founded in 1967 graduated 1,200 new officers in 1969, and even more in 1970, most of whom had the equivalent of a junior high school education. About half of these became Communist party members and most of the rest joined the Communist youth.

In 1969, some 7,000 young Cubans were *camilitos*, or junior-senior high students receiving basic military training in preparation for admission to cadet school. Raúl attends most of the graduations, where the new officers still take an oath of loyalty to Fidel. Though the Communist party exists in the military, it is subordinated to the military hierarchy.

An important new development is the emergence of the Ministry of Interior or Minint as a decisive force in the government. Minint has received considerable assistance from Minfar in the training of its own cadre, although it is also known that Soviet and Czech advisers participated in the early stages of its creation. The formation of a Communist party apparatus within Minint was carried on for three years (1967-1969) under the direction of officers loaned by the military. Minint is rapidly training its own officials, who apparently receive the equivalent of military rank within the ministry. Minint has severe internal problems in training of its own personnel to cope with what is admittedly widespread, popular discontent. The ministry has absorbed a large number of new employees in the last year or two, mainly of lower-class origin and having low educational proficiency.

In June, 1966, Minint began publication of the monthly, *Moncada*, edited by the Political Directorate—i.e., the Communist party apparatus within the ministry. Its approach is catholic; features on clothing and food appear with stories about delinquents and traffic safety practices. Of special sig-

nificance, however, is the "Letter to a Militant" which is a popular guide to the current ideological line. *Moncada* is similar in format and coverage to *Verde Olivo*, the monthly published by the military, although it is somewhat more popular in approach and naturally places more stress upon internal security problems.

Currently, relations between the two ministries seem to be close and cooperative. The nature of bureaucracies is such, however, that serious rivalry is a strong possibility and certainly would be inevitable if Fidel Castro should disappear from the scene. A major unknown is the nature of the armament with which Minint personnel are equipped. If, in fact, they receive tanks and armored vehicles, a second Cuban army will exist.

The allocation of duties between the two ministries seems to depend upon the whims of Fidel Castro. The military forces are actually a major source of agricultural labor, as well as of economic managers. The forces of the Interior Ministry seem more involved in policing the labor force for sabotage and negligence. Both the Interior Ministry and the military work closely with, and perhaps even supervise, the Committees for the Defense of the Revolution (C.D.R.), thought to be formerly under direct Communist party control. Through checking the carnet each person carries and recording his travel and other movements, the C.D.R.'s exercise over daily life a detailed supervision of great effectiveness. *Moncada* reveals serious concern over counter-revolutionary activity and over the more limited opposition of those who are unhappy about their personal condition. Popular unrest does not endanger the security of the regime. Much of it is economically based, and many objectors to privation probably still feel an affection for Fidel. Its important impact is rather on the economy.

#### FOREIGN POLICY

In contrast to economic failures, Castro can look with somewhat more optimism on several recent developments in the hemisphere. A number of the more liberal governments have voiced dissatisfaction with

Cuba's isolation from her Latin neighbors. Castro has responded with kind words for the radical Peruvian military regime and with an effective earthquake relief program for Peru in the aftermath of the 1970 disaster. Perhaps, as Castro has said, he does not want the Velasco regime in Peru or the Torres regime in Bolivia to jeopardize their reform programs by pro-Cuban policies that would bring United States reprisals.

Most pleasing, of course, was the victory of Socialist leader Salvador Allende in the 1970 Chilean presidential election. In a pre-election eight-hour interview conducted by Chilean media representatives and others who were visiting Cuba for the 26th of July celebration, Castro directly referred to the Chilean elections. He explicitly endorsed the electoral road to revolution in Chile—a partial return to the doctrine of the 1964 Havana Agreement—but he carefully stipulated that the road of Revolutionary War applied to the majority of countries.

Allende hastily reestablished diplomatic relations with Cuba. His personal friendship with Fidel and his support for the Cuban revolution made this a happy event. It should not be overlooked, however, that the out-going Frei government had taken the first steps in trade and cultural arrangements with Cuba and that the Allende victory only hastened the process. What is likely to be different in this tie, as opposed to relations with a Christian Democratic President in Chile, is the probable cooperation against the United States. A Cuba-Chile axis may be in the offing, and other leftist anti-United States regimes may join it.

Castro's reference to the O.A.S. as "that manifold dunghheap and brothel" is not echoed in Latin America, but there has always been an ambivalence in Latin attitudes toward it as a United States-dominated but useful collective device for bargaining. The Allende government's resumption of relations with Cuba does, however, weaken the O.A.S. sanctions system. Only the hard-line policy of regimes like the Argentine and the Brazilian will enable the United States to keep the sanctions alive.

Reducing the sweetness of the Chilean election was the distinct chill in Cuban-Mexican relations—a situation Castro has not helped by critical attacks on Mexico for allegedly permitting the C.I.A. to use the Mexican embassy in Havana for spying, for her “piratical” sharing in Cuba’s sugar quota in the early 1960’s and for her policy on the extradition of hijackers.

The opportunities for better relations with Latin America were increased by the new low reached in Castro’s relations with Latin America’s rural and urban guerrillas. In the Chilean election interview, Castro confessed that Cuba had never been able to give much in the way of material assistance to the so-called Castroites in other Latin American countries. Indeed, he has given them little propaganda support recently, for his speeches in 1969 and 1970 were predominantly economic in content. His erstwhile friends in the guerrilla left did continue to benefit from *Prensa Latina* and Cuban domestic press coverage. Castro’s preeminent position as the successful guerrilla leader and Guevara’s reputation as the guerrilla theorist were badly damaged by the Bolivian fiasco. The Latin American guerrillas now look to a new source of inspiration in the *Minimanual of the Urban Guerrilla* by Brazilian Carlos Marighella.

Castro continues to assert his belief in the United States determination to destroy him, despite the relatively relaxed official United States posture on Cuba. Currently, the United States seeks limited goals: namely, the ending of Cuban military dependence upon the Soviets and the cessation of efforts to “export revolution.” The United States position is flexible, although not so much so as its policy on the somewhat similar problem of relations with Communist China. Castro has said that he is willing to bargain only if the United States ceases “to be an international gendarme.”

This impasse is less absolute than it seems. Castro admitted in the Chilean election interview that Cuba had not helped guerrilla movements more because it did not have the resources. This open abandonment of the fiction of the Cuban example as sufficient to

ignite Revolutionary War everywhere in Latin America was linked with his concession that O.A.S. sanctions were a direct response to Cuban export efforts.

## CUBAN-SOVIET RELATIONS

Castro has shown before that he believes his bargaining power with the Soviets is a function of United States hostility. He has astutely accused the United States of desiring to “Yugoslavize” the Cuban Revolution—certainly a warning to the Soviets that the improvement of United States-Cuban relations they are believed to desire would take place at an unacceptable price. Castro also believes that, short of a direct public Soviet commitment to him to defend Cuba, the United States will destroy his regime militarily. His evident, personal animosity for President Richard Nixon, whom he briefly met in 1959, is strengthened by his identification of the President with an even stronger anti-Castro position than that of President John F. Kennedy.

The recent United States-Soviet agreement to make President Kennedy’s 1962 implicit no-invasion guarantee an explicit undertaking gains Castro very little. It represents rather the thwarting by the Nixon administration of a threat potentially as dangerous to the United States as the 1962 emplacement of Soviet missiles in Cuba. Contrary to an irresponsible story in *The New York Times* by Tad Szulc, the Soviet interest in a nuclear submarine base in Cuba was a serious threat to United States interests.

One unforeseen aspect of the situation is the fact that the United States-Soviet agreement increases Castro’s dependence upon the Soviets. To his claim of a United States threat, the Soviets can answer that there is no threat as long as he behaves as they de-

(Continued on page 118)

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## BOOK REVIEWS

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### ON LATIN AMERICA

**DEMOCRACY IN MEXICO.** By PABLO GONZÁLEZ CASANOVA. Translated by Danielle Salti. (New York: Oxford University Press, 1970. 197 pages, prefaces, foreword by Irving Louis Horowitz, tables, name index and subject index, \$7.95.)

An eminent Mexican scholar offers a penetrating analysis of the political and social structures of modern Mexico and of the degree to which the present political system conditions and limits economic development for the entire society. He offers a wealth of statistical information on Mexican politics, economics and social trends since the Revolution. His discussion of the Indian problem is particularly forceful.

**THE TRANSFORMATION OF POLITICAL CULTURE IN CUBA.** By RICHARD R. FAGEN. (Stanford, Calif.: Stanford University Press, 1970. 165 pages, preface, appendices, notes, index and photographs, \$8.50.)

As the author points out, few nations "have undergone such a massive transformation as Cuba under Castro." He focuses on three of Castro's focal programs to transform Cuban society: the literacy campaign of 1961, the Schools of Revolutionary Instruction, and the Committees for the Defense of the Revolution. He concludes that, "By rubbing his people's noses in the countryside, Fidel Castro is smashing the traditional class distinctions and social relations of what was once a very Latin society. In all of Latin America, only in Cuba are boots, rough hands, dirty clothes, first names, and agricultural talk among the marks of honor and status. What difference will this sociocultural transformation make? Will it put coffee in the cup, fruit in the market, gasoline in the tank, and foreign exchange in the national

bank? By itself it clearly will not; but combined with modern technology, hard work, some degree of economic realism, and a little luck, it will." Appendices contain translations of lengthy sections of three of Castro's speeches dealing with his three revolutionary programs.

**CRISIS IN BRAZIL.** By OCTAVIO IANNI. Translated by Phyllis B. Eveleyth. (New York: Columbia University Press, 1970. 205 pages, preface, tables, notes, glossary, bibliography and index, \$8.50.)

The distinguished Brazilian sociologist Octavio Ianni describes the tensions and conflicts in Brazil's economic, social and political structures and relates them to the 1964 coup d'état.

**THE COMING REVOLUTION IN BRAZIL.** By FATHER ANTÔNIO MELO. Translation and introduction by Robert Menzel. (New York: Exposition Press, 1970. 54 pages, \$4.00.)

Father Antônio Melo is a parish priest in Cabo, a town near Recife in the depressed northeastern region of Brazil. He was encouraged by Archbishop Coelho to organize rural labor into Catholic unions designed to counterweight the Communist-backed Peasant Leagues. In this interview conducted by Robert Menzel in April, 1970, Father Melo freely criticizes Brazil's past and present regimes for failing to achieve adequate social reform.

**THE VARGAS REGIME. THE CRITICAL YEARS, 1934-1938.** By ROBERT M. LEVINE. (New York: Columbia University Press, 1970. 190 pages, appendices, notes, glossary, bibliography, map and index, \$9.00.)

This critical evaluation of the political and ideological development of the Vargas regime during its early years shows how Vargas dealt with threats from the left and

the right and deftly maneuvered to expand his power. The forces shaping the character of Brazil in the 1930's are examined and the fascist Integralist movement and the popular front National Liberation Alliance are thoroughly analyzed.

**MASSES IN LATIN AMERICA.** EDITED BY IRVING LOUIS HOROWITZ. (New York: Oxford University Press, 1970. 600 pages, name index and subject index, cloth, \$13.50, paper, \$3.95.)

This volume offers a valuable collection of articles which examine political, social and economic development in Latin America in terms of the masses. Many distinguished scholars have contributed to the volume. Sixteen articles are included: "Masses in Latin America," by Irving Louis Horowitz; "Development and Stagnation in Latin America," by Celso Furtado; "Working-Class Consciousness and Economic Development," by Alain Touraine and Daniel Pécaut; "Agricultural Policy and Strategies of Land Reform," by Solon L. Barraclough; "The Political Integration of Lower-Class Urban Settlement in Chile and Peru," by Daniel Goldrich, Raymond B. Pratt and C. R. Schuller; "Urban Poverty in Latin America," by Andrew C. Frank; "Classes, Colonialism and Acculturation," by Rodolfo Stavenhagen; "Mass Immigration and Modernization in Argentina," by Gino Germani; "Financing Land Reform: A Mexican Casebook," by Edmundo Flores; "The Social Organization of Low-Income Families," by Bryan Roberts; "State and Mass in Brazil," by Francisco Weffort; "The Mechanics of Internal Domination and Social Change in Peru," by Julio Cotler; "Peasant Organization in Agrarian Reform in Mexico," by Gerrit Huizer; "Social Change and Rural Violence in Colombia," by Camilo Torres Restrepo; "Mass and Class in the Origins of the Cuban Revolution," by Nelson Amaro Victoria; and "Mass Society, Social Class, and the Emergence of Fascism," by Gino Germani.

**LATIN AMERICAN AFFAIRS.** ST. ANTHONY'S PAPERS, NUMBER 22. EDITED BY RAYMOND CARR. (New York: Oxford University Press, 1970. 157 pages, \$5.75.)

Five essays by distinguished scholars of Latin American affairs are included in this volume: "Society and Mass Rebellion in Eighteenth-Century Peru and Bolivia," by Oscar Cornblit; "Agrarian Expansion and Industrial Development in Argentina, 1880-1930," by Ezequiel Gallo; "The Revolutionary Legion and the Brazilian Revolution of 1930," by Peter Flynn; "Labor and Politics in Chile," by Alan Angell; and "The Peasantry and the Cuban Revolution from the Spring of 1959 to the end of 1960," by Juan Martínez-Alier.

**RACE AND CLASS IN LATIN AMERICA.** EDITED BY MAGNUS MÖRNER. (New York: Columbia University Press, 1970. 293 pages and index, \$10.00.)

This is a fine collection of studies on race and class in Latin America from colonial times to the present by a group of European, North and South American anthropologists, sociologists, historians, political and social scientists and a geographer. The studies included are: "The Integration of the Negro into the National Society of Mexico," by Gonzalo Aquirre Beltrán; "The Passing of the Afro-Uruguayans from Caste Society into Class Society," by Carlos M. Rama; "Action and Ideas in the Abolitionist Movement in Brazil," by Richard Graham; "Immigration and *Mestizaje* in 19th-Century Peru," by Mario C. Vázquez; "The Dominican Republic in the 19th-Century: Some Notes on Stratification, Immigration, and Race," by Harry Hoetink; "Immigration and Race Relations in São Paulo," by Florestan Fernandes; "*Mestizaje* in Mexico During the National Period," by Moisés González Navarro; "The Impact of Mid-19th-Century Economic Change Upon the Indians of Middle America," by Manning Nash; "Official *Indigenismo* in Peru in 1920," by François Chevalier; "Historical Research on Race

Relations in Latin America during the National Period," by Magnus Mörner; "The Concept of Race and Class and the Explanation of Latin American Politics," by Charles W. Anderson; "Research and Race Relations in Brazil," by Octavio Ianni; and "A Geographer's View of Race and Class in Latin America," by Hilgard O'Reilly Sternberg.

### ALSO RECOMMENDED . . .

**THE COLONIAL HERITAGE OF LATIN AMERICA: ESSAYS ON ECONOMIC DEPENDENCE IN PERSPECTIVE.** BY STANLEY J. AND BARBARA H. STEIN. (New York: Oxford University Press, 1970. 198 pages, sources, bibliography and index, cloth, \$5.00, paper, \$1.50.)

**A CULTURAL HISTORY OF SPANISH AMERICA FROM CONQUEST TO INDEPENDENCE.** BY MARIANO PICÓN SALAS. Translated by Irving A. Leonard. (Berkeley: University of California Press, 1970 (paper). 175 pages, bibliography and index, \$1.95.)

**CUBA: THE MAKING OF A REVOLUTION.** BY RAMÓN EDUARDO RUIZ. (New York: W. W. Norton & Co., 1970 (paper). 169 pages, bibliography and index, \$1.65.)

**CUBAN COMMUNISM.** EDITED BY IRVING LOUIS HOROWITZ. (Chicago: Aldine Publishing Co., 1970 (paper). 142 pages, \$2.45.)

**THE POLITICS OF BRAZILIAN DEVELOPMENT: 1930-1954.** BY JOHN D. WIRTH. (Stanford, Calif.: Stanford University Press, 1970. 224 pages, preface, notes, bibliography and index, \$7.95.)

**THE POLITICS OF CONFORMITY IN LATIN AMERICA.** EDITED BY CLAUDIO VELIZ. (New York: Oxford University Press, 1970 (paper). 277 pages, abbreviations, appendix and index, \$2.25.)

**DEATH OF A REVOLUTIONARY: CHE GUEVARA'S LAST MISSION.** BY RICHARD L. HARRIS. (New York: W. W. Norton & Co., 1970. 208 pages, maps, photographs and index, \$5.95.)

**THE GOLDEN AGE OF BRAZIL: 1695-1750.** BY C. R. BOXER. (Berkeley: University of California Press, 1969 (paper). 325 pages, appendices, personalia, notes, bibliography, photographs and index, \$2.45.)

**STUDENT POLITICS IN CHILE.** BY FRANK BONILLA AND MYRON GLAZER. (New York: Basic Books, 1970. 312 pages, appendices and index, \$8.50.)

**UNITED STATES POLICY TOWARD LATIN AMERICA.** BY R. HARRISON WAGNER. (Stanford, Calif.: Stanford University Press, 1970. 206 pages, notes and index, \$7.95.)

**COMMUNIST CHINA & LATIN AMERICA: 1959-1967.** BY CECIL JOHNSON. (New York: Columbia University Press, 1970. 304 pages, preface, bibliography and index, \$9.95.)

**INTERPRETING LATIN AMERICAN HISTORY: FROM INDEPENDENCE TO TODAY.** EDITED BY RAMÓN EDUARDO RUIZ. (New York: Holt, Rinehart and Winston, 1970 (paper). 438 pages, preface and index, \$5.95.)

**THE GROWTH & CULTURE OF LATIN AMERICA FROM CONQUEST TO INDEPENDENCE.** Vol. 1. BY DONALD E. WORCESTER AND WENDELL G. SCHAEFFER. (New York: Oxford University Press, 1970 (paper). 491 pages, maps, glossary and index, \$4.50.)

**PERU: COUNTRY IN SEARCH OF A NATION.** BY ROBERT N. SCHWARTZ. (Los Angeles: Inter-American Publishing Co., 1970 (paper). 156 pages, notes, bibliography and index, \$3.95; hardbound, \$7.95.)

Mary M. Anderberg

## BRAZIL: THIRD GOVERNMENT OF THE REVOLUTION

*(Continued from page 107)*

use of her own nuclear energy resources for peaceful purposes.

At the present writing, it appears that prospects for Brazil to achieve most of the short-term developmental goals set by the Médici administration are bright. In the late 1950's and again a decade later, the Brazilian people demonstrated their capacity to accomplish remarkable material development in a short time, given adequate financing and relative political stability. The Médici program is more ambitious than any previous one, but Médici's administration has the advantage of the sustained momentum built up during six years of economic growth. No entirely new trails need to be blazed in strengthening the infrastructure of the economy. Highways have already been pushed through jungle areas; the precedents have been set for doubling and tripling the output of steel and petroleum; and Brazil has nearly completed the largest hydroelectric power complex in the Western Hemisphere.

In the area of social reform greater determination will be required, but here too the outlook is generally favorable. Past experience with the social security program, coupled with the rigid honesty of the revolutionary regime, augur well for the success of the employer-subsidized savings fund. It has long been widely recognized that the educational system was in need of a thorough overhaul, and each administration since 1964 has worked to correct the terrible deficiency in housing. Those changes that can be accomplished in the cities and on the frontiers should pose no insoluble difficulties.

However, seven years after the revolution only the modest beginnings of agrarian reform have been attempted. Substantial numbers of landless peasants will doubtless be settled in colonies in the Amazon, but the bulk of the peasantry will remain where the problem is most serious, in the traditional sugar zone of the coastal states. This prom-

ises to remain a potentially explosive situation.

There is no question that Médici is sincere in the hope that he will leave democracy, as he understands it, definitively established at the end of his term. He has promised that the constitutional provision regarding the direct election of governors will be honored in 1974, and he has allowed numerous trial balloons about third parties to be launched. It is possible that one or more new parties may be formed prior to the next national elections, but there is no prospect that the legislature will recapture any of its former independence while Médici is in office. If the regime's concern over subversion should diminish, Médici might well relax or even relinquish the emergency powers of Institutional Act No. 5. In the event of a major upsurge of terrorist activity, however, he would tighten political controls.

### LONG RUN OUTLOOK

Over the longer run, the outlook for Brazil's achievement of national integration and world power status seems to hinge on two problematical developments. The first of these is a non-violent transition to constitutional government, either the sort envisioned in the 1969 constitution or another sort acceptable to the decision-making groups in society. Large-scale political violence would surely delay Brazil's progress toward her national and international goals.

The second problem is more vital, for failure to resolve it could relegate Brazil indefinitely to second-class status. This is the hoped-for national capability in science and technology that will enable Brazil, with her own resources, to enter the age of nuclear power, computers and automation. Without such a capability, Brazil cannot expect to overtake the highly developed nations of the world, to compete with them in industrial production, or to exert her desired influence in international councils. Hence the close attention of the Médici administration to this area, which is certain to remain a major concern of Brazilian governments for the rest of this century.

## PERU'S MILITARY POPULISM

(Continued from page 77)

the 1969 meeting of the Inter-American Press Association.

Some industrialists, especially S.N.I. members, have attacked the industrial decrees as utopian and as a violation of the constitutionally-guaranteed and God-given right to private property. Because of these criticisms and because of the drought of private investment, Velasco has attempted to mollify the industrialists, whom he has called one of the most "dynamic groups of our society." To stimulate development, he has promised to cut bureaucratic red tape. He has further argued that the land reform will create more consumers for goods produced by the industrialists and that their interests are served in tumbling an oligarchy that has aided and abetted imperialist domination of the economy. The President has pledged that gradualism will mark the acquisition of ownership by Industrial Communities, that executive-owners will also belong to these Communities, and that there will be "no forced cooperativization of small firms and workshops."<sup>15</sup>

While long-time owners of large enterprises appear skeptical, the S.N.I. leadership has endorsed the "Economic Action Front" proposed by Velasco to enlist industrialists and workers in the battle against the nation's underdevelopment. If this tentative rapprochement kindles private sector confidence in the regime, it will have been the major political event of 1970.

### CONCLUSION

The success of Peru's military junta in maintaining its unity and mobilizing public opinion on its behalf is impressive. In breaking with the "forty families" which have traditionally run the country and in initiating myriad changes, Velasco has offered some-

thing to almost every sector of society, except the oligarchy and opposition party leaders.

The problems confronting the messianic generals and admirals are more striking than their accomplishments. It is not difficult to decree a dozen or more major reforms; but it is not easy to find the personnel and resources to execute them. The junta's distrust of civilians has triggered a "brain drain" abroad of skilled Peruvians, and there are not enough retired military officers and priests qualified to man vital posts in the bureaucracy.

In addition, Velasco arrogantly refuses to enter discussions with A.P.R.A., which enjoys the allegiance of upwards of a half-million persons. Just as Peronists must figure in any political solution in Argentina, so *apristas* must participate in any lasting formula designed for the Peruvian polity.

With copper and fishmeal prices falling, lack of private investment poses a severe problem. Although improving, the attitude of Peruvian industrialists toward the regime remains ambiguous, and a major source of private capital has yet to be found. The Japanese may supply some of the needed funds.

Nonetheless, the men ruling Peru are a rare breed who have recognized a fact, albeit unpleasant, of contemporary Latin America: parliamentary democracy is irrelevant to the social and economic needs of the masses and must be replaced or supplemented by new structures. Still paternalistic in its decision-making, the junta has yet to discover exactly what these new structures are. That it is committed to finding them and that it has welcomed the Church as an ally in its quest to create a new Peruvian man in a society free of dependence on Creole oligarchs or foreign capitalists make it worthy of careful study by all who care about the future of developing nations.

## MEXICO AT THE CROSSROADS

(Continued from page 70)

overwhelming majority. As present trends continue, however, it is likely that the

<sup>15</sup> For Velasco's important address on industrial development, delivered at the closing session of the 9th annual Conference of Executives, held in Paracas on November 15, 1970, see *El Peruano*, November 16, 1970, pp. 1, 3, 4.



party's monopoly of governorships and Senate seats will begin to erode. Local issues may provide surges in opposition strength over and above the long-term trends at work, and it is likely that under the presidency of Echeverría and his immediate successor, the regime will be faced with a gubernatorial or senatorial victory by the opposition, perhaps in Baja California Norte or in Yucatán.

Many of the traditionalists in the P.R.I. argue that the P.A.N., the opposition party likely to be the first to gain a state-wide victory, represents nothing but a disguised version of the reactionary forces against which the revolution took place, and that to allow a *panista* victor to take power would be equivalent to betraying the revolution for which so many fought and died. If the logic of that position is accepted as modernizing trends continue, the line of policy it implies would lead to a growing repression for which the Tlatelolco massacre provides a precedent.

If it did not wish to resort to repression, the P.R.I. could accept the possibility of the erosion of its monopoly of power, while attempting to attract more sophisticated new voters in the more genuinely competitive situation that is evolving, by democratizing itself internally along the lines begun by Madrazo. In that direction lies evolution towards a fully competitive democracy on the model of Costa Rica or Chile. In the other direction lies the development of an authoritarian system with a democratic façade along the lines of Nicaragua. During the new decade of the 1970's, decisions made by the Mexican leadership will determine which of the two roads the country is to follow.

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## CHILE

(Continued from page 89)

posts and civil service jobs. It is clear that one of Allende's principal tasks will be holding his coalition together.

The tone of the administration has been relatively moderate so far. Legislation is

planned soon to permit divorce and legalize abortion—measures that might seem shocking in more devoutly Catholic countries, but not in Chile. Allende has expressed hopes that he can negotiate with the copper companies. The issue of nationalization of key companies will be reviewed with care. More radical steps have been taken in the diplomatic field. Relations have been established with Cuba; Chile voted for the admission of Communist China to the United Nations; a North Korean commercial mission is to be established in Chile.

Allende is no Castro; nor is he a Communist stooge. Chile is not Cuba. The Popular Unity is only barely popular, and barely united. Assuming that the near future does not see a coup from the army and the right (of which there are many more rumors than evidence), Chile is not likely to see a straight march to a Marxist dictatorship. Even if there were, the problems of inflation, of growth, of investment and rural productivity still remain; and Communist regimes have not been notably successful in dealing with one of Chile's real problems—an overstaffed, overprotected, inefficient bureaucracy.

Reform and change there will be. How much, and how beneficial, remains to be seen. But the confusions, uncertainties and divisions that characterize Chilean politics will not disappear overnight—nor will Chileans lightly surrender their democratic and representative system.

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## COLOMBIA

(Continued from page 94)

Terry of Peru was overthrown in different circumstances, but one miscalculation his civilian opponents made was that a diet of electoral expectancy could be fed to the waiting populace forever. In a crisis deepened by excessive faction, the Colombian army would be more likely to support the President than any other politician; if it moved on its own, few politicians would gain anything from it at all. So in the absence of a more funda-

mental sort of crisis Pastrana's weakness may be less than it appears.

The immediate prospect is not exciting: a government of humane and well meaning men as yet shows no sign of the political initiatives necessary to extract itself from past compromises. More distantly, one foresees other conditions, and a fair chance that ANAPO will be a part of the winning coalition in 1974. If the present political system is incapable of instituting the sort of reforms which President Lleras Restrepo sought, and of giving them a far greater popular content, an attempt at a military solution is only a matter of time.

## VENEZUELA

*(Continued from page 101)*

success of Pérez Jiménez in the 1968 elections suggests that the party or populist leader who can mobilize the lower-income urban groups will acquire an important new base of support in Venezuela's fragmented polity.

Avoidance of political alienation along social class lines will require bargaining for greater equality in living standards. But vigorous bargaining over income distribution—both in the private and public sector—may cause greater economic and political instability. The near future may also bring some economic stagnation because declining petroleum receipts are not fully offset by rising revenues from other sources.

If economic growth slows down, this will affect lower class workers more noticeably than middle class managers, professionals, and government officials. It would also further weaken the immediate prospects for rising welfare among the very poor, though it may facilitate a political alignment with the lower working class.

After four decades of largely favorable economic conditions that in the past set Venezuela apart from most other developing countries in the hemisphere, the next 10 to 20 years may require painful political and economic readjustments, including greater emphasis on solving problems of unemployment and poverty.

## CUBA TODAY

*(Continued from page 111)*

sire. The agreement is another pressure for acceptance of tighter Soviet economic supervision and more orthodox Marxist-Leninist ideology.

In particular, the Soviets have found unacceptable Castro's position (stressed as late as March 13, 1967) that "those who are not revolutionary fighters cannot be called Communists" and "if in any country those who call themselves Communists do not know how to fulfill their duty, we will support those who, without calling themselves Communists, conduct themselves like real Communists in action." Castro's assertion of his right to establish these new criteria for the delineation of Latin American communism was unacceptable to the Soviets because it read the Soviet-dominated parties out of the Communist movement.

The Cuban leader chose the centennial celebration of Lenin's birth on April 22, 1970, as an appropriate forum for his ideological shift to a more orthodox Communist position. Conspicuously absent from the speakers' platform were many of the representatives of the guerrilla left.

He attacked his former friends in the Latin American guerrilla left, referring to them as "superrevolutionary theoreticians, superleftists, veritable supermen." His accusations against them included their refusal to acknowledge the importance of Soviet help, to concede the justice of the Soviet invasion of Czechoslovakia and, most of all, to accept Cuba's overwhelming need to devote her resources to economic development.

No longer the unsullied hero of an idealistic revolution that was to be the "show-case" of socialism in Latin America, Castro now confronts one of the most important crises of his career. The solutions are not simple nor easy. In a poignant comment on 12 years of experimentation with the economy, Castro had this to say: "The road is difficult, yes. It is more difficult than . . . we expected. Yes, imperialists, it is hard to build socialism."

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# THE MONTH IN REVIEW

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*A CURRENT HISTORY chronology covering the most important events of December, 1970, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### Berlin Crisis

Dec. 21—The U.S. State Department accuses the Soviet Union of jeopardizing the Big Four talks on Berlin by allowing East Germany to harass traffic to the city.

### Disarmament

Dec. 18—The current round of SALT talks adjourns.

### International Civil Aviation Organization

Dec. 16—At a conference in the Hague, 50 nations sign a convention designating the hijacking of a civilian aircraft as a criminal offense.

### Middle East Crisis

#### 1. Arab-Israeli Conflict

Dec. 13—Speaking on U.S. television, King Hussein of Jordan says that he would like to see the U.S. and the U.S.S.R. assume an active peace-keeping role in the Middle East.

Dec. 26—The U.A.R. and the Soviet Union issue a moderately worded communiqué in support of a peaceful settlement of the Middle East crisis, after a week of talks in Moscow.

Dec. 28—In an interview with *The New York Times* published today, U.A.R. President Anwar el-Sadat defines the U.A.R.'s conditions for a peace settlement, including a demand that Israel give up all territory acquired in the June, 1967, war. A similar interview with Israeli Premier Golda Meir, published yesterday, sounds a pessimistic note about an agreement with the U.A.R.

Dec. 29—Israeli Premier Meir tells the *Knesset* that "not one Israeli soldier will

be withdrawn" from occupied Arab land until after a binding peace agreement with the Arabs is reached.

#### 2. Jordanian Crisis

Dec. 6—Fighting between government forces and Palestinian guerrillas erupts in Amman and Jarash, a city in northern Jordan.

Dec. 8—Fighting between government forces and commandos continues in Jarash.

Dec. 10—Arab sources report that Jordanian authorities, in the past 4 days, have begun to bar visits to the west-bank area by Arabs believed to support self-determination for Palestinians.

Dec. 15—The inter-Arab committee announces a new agreement between the Jordanian government and the Palestinian guerrillas. The Central Committee of the commando movement promises to disarm its militiamen.

Dec. 26—A communiqué from the Arab guerrillas reports that the guerrillas have repulsed Jordanian tanks and troops after a 2-day battle.

### North Atlantic Treaty Organization (NATO)

Dec. 1—At a meeting of 10 defense ministers in Brussels, a program calling for the expenditure of almost a billion dollars for the improvement of NATO's military installations and additions to existing forces is adopted.

Dec. 3—At the opening session of the meeting of NATO foreign ministers, U.S. Secretary of State William P. Rogers reads a statement from President Richard Nixon in which the President says that the U.S. will not reduce its forces in Europe unless there is reciprocal action on the part of Communist bloc nations.

Dec. 4—The foreign ministers issue a com-

muniqué declaring that they reject Soviet bloc proposals for an East-West conference until the satisfactory conclusion of the Big Four talks on Berlin, and until progress is made at the strategic arms limitation talks and in the talks between East Germany and West Germany.

### Organization of African Unity

(See also *Intl. U. N.; Guinea*)

Dec. 11—In Lagos, the delegates to the meeting of the Ministerial Council of the O.A.U., in a series of resolutions, charge that the members of the North Atlantic Treaty Organization (of which Portugal is a member) share with Portugal the responsibility for the attacks on Guinea, and call for the elimination of the use of mercenaries in Africa.

### United Nations

Dec. 3—Secretary General U Thant announces the appointment of Glenn T. Seaborg, chairman of the U.S. Atomic Energy Commission, as president of an international conference on peaceful aspects of nuclear energy to be held in Geneva in 1971.

Dec. 7—In a 91-to-0 vote, the General Assembly approves the formation of an international corps of volunteers to work in poor countries; the volunteers will receive a living allowance but no salary.

Dec. 8—The Security Council, in an 11-to-0 vote with 4 abstentions, approves a resolution condemning Portugal for the invasion of Guinea and demanding that Portugal compensate Guinea in full for the loss of life and property; it also asks all nations to refrain from providing Portugal with any material or military assistance "enabling it to continue its repressive actions" in Africa.

The General Assembly endorses a resolution asserting that "the people of Palestine" have the inalienable right of self-determination.

Dec. 10—The Security Council votes to extend the peace-keeping force on Cyprus until June 15, 1971.

Dec. 17—As the 25th anniversary session concludes, Secretary General Thant appeals to member governments for financial contributions to save the world organization.

### War in Indochina

Dec. 1—Cambodian forces open a drive 20 miles north of Pnompenh. Military police are put on guard at the U.S. Embassy in Pnompenh, Cambodia, following an explosion.

Dec. 6—A Cambodian military spokesman reports that military district headquarters at Peam Chikang is under enemy attack.

Dec. 9—The South Vietnamese government announces that it has decided to observe one-day truces for Christmas and New Year's Day.

Dec. 10—South Vietnamese forces fighting in Cambodia are attacked by North Vietnamese troops; 30 South Vietnamese are reported killed.

At the Paris peace talks, David K. E. Bruce, the chief U.S. delegate, and the South Vietnamese delegation offer to exchange immediately all prisoners of war with North Vietnam and the Vietcong; the Communist delegates counter with a proposal for an immediate cease-fire if the U.S. agrees to withdraw its forces from South Vietnam by June 30, 1971.

Dec. 11—A State Department spokesman reveals that Swedish Premier Olof Palme has obtained and forwarded to the U.S. information from the North Vietnamese government about 203 Americans listed as captured or missing in the war; about one-fourth of the men are said to be in North Vietnamese hands.

Gasoline is rationed in Cambodia because for 3 weeks North Vietnamese and Vietcong troops have occupied stretches of Route 4, which links the nation's only oil refinery with Pnompenh.

Dec. 12—Heavy fighting continues northeast of Pnompenh; North Vietnamese and Vietcong forces are said to have killed or wounded 1,000 Cambodian troops in a 5-week-old drive in the northern sector.

Dec. 13—The U.S. command reports that a

B-57 bomber with top-secret intelligence equipment has been shot down over Laos.

Dec. 14—The U.S. command reports that U.S. troop strength in Vietnam dropped below 344,000 last week, completing the President's withdrawal program 3 weeks ahead of schedule.

Dec. 15—Military sources indicate that South Vietnam has sent 3,000 troops into Cambodia as the result of an appeal from Cambodian Premier Lon Nol; the troops were moved into an area believed to contain at least 6,000 Vietcong and North Vietnamese troops.

Dec. 17—The U.S. command reports that 29 U.S. servicemen were killed in fighting in Indochina last week.

Dec. 25—The Christmas truce in Vietnam ends.

### **Warsaw Pact**

Dec. 2—Following a day of consultation in East Berlin, the Communist party and government leaders of the 7 Soviet bloc countries declare that they are in agreement with regard to the problems of Vietnam, Europe and the Middle East.

Dec. 3—A declaration by Warsaw Pact leaders is made public; it calls for an agreement on the problem of West Berlin, and for treaty negotiations between West Germany and Czechoslovakia.

### **BRAZIL**

Dec. 7—Giovanni Enrico Bucher, the Swiss Ambassador to Brazil, is kidnapped by members of the National Liberation Alliance, a leftist commando group.

Dec. 12—The government asks Bucher's kidnappers to submit a list of the prisoners they wish to be freed and asks that the list be dated and signed by Bucher.

### **CAMBODIA**

Dec. 28—The government notifies newspapers and magazines that they are subject to government censorship.

### **CANADA**

Dec. 1—The House of Commons approves the limited emergency powers bill proposed

by Prime Minister Pierre Elliott Trudeau to replace the War Measures Act which was invoked in October to combat terrorist activities; the measure must be approved by the Senate.

Dec. 3—James Richard Cross, the senior British Trade Commissioner in the Province of Quebec and the head of the British government office in Montreal, kidnapped on October 5, is released into the technical custody of the acting Cuban Consul; Cross is to be unconditionally freed as soon as his abductors and their relatives arrive by plane in Cuba.

Dec. 4—Cross is released by the Cuban consul.

Dec. 28—Three suspects in the kidnapping and murder of Quebec Labor Minister Pierre Laporte are captured.

### **CHILE**

Dec. 1—The government expropriates the nation's largest fabric manufacturer; the company was said to have been on the verge of bankruptcy, and its workers have been on strike for 3 weeks for unpaid wages.

Dec. 31—The President announces plans to nationalize Chile's commercial banks, but exempts the 8 foreign banks in Chile.

### **CHINA, PEOPLE'S REPUBLIC OF (Communist)**

Dec. 26—It is reported from Hong Kong that a military protégé, Pai Hsiang-kuo, has been named Minister of Foreign Trade. Pai is the second military man named to the Peking Cabinet in the last 30 days; on November 28, it was reported that former tank commander Sha Feng had been appointed Minister of Agriculture and Forestry.

### **CZECHOSLOVAKIA**

Dec. 12—A Communist party resolution is made public which indicates that last week the Central Committee ratified the expulsion of Oldrich Cernik, the former Premier of Czechoslovakia, from the Communist party.

Dec. 15—*The New York Times* reports that



refugees from Czechoslovakia have been receiving letters from "legal advisory centers" in Prague saying that they face criminal proceedings because of their "illegal" presence abroad.

Dec. 20—Parliament approves constitutional amendments returning to the central government many of the powers given to the Czech and Slovak state governments under the regime of Alexander Dubcek.

### IRE

Dec. 4—Prime Minister John Lynch announces that his government is invoking an act which permits internment without trial; the move is being undertaken on the advice of police authorities who say that conspirators are plotting a campaign of kidnapping and armed bank robberies.

Dec. 9—A session of the Irish Parliament is adjourned in an uproar over Lynch's explanation of conspiracy reports and his efforts to thwart the conspirators.

### ETHIOPIA

Dec. 2—Ethiopia and Communist China announce the establishment of diplomatic relations.

### GREECE

Dec. 12—The Greek government decrees a reorganization of press and information services which will bring them under the direct control of Premier George Papadopoulos.

Dec. 19—In a radio and television address, Papadopoulos tells the Greek people that political freedoms will not be restored in 1971.

Dec. 24—The government announces that 305 political prisoners have been freed this week.

### GUINEA

(See also *Intl, O.A.U., U.N.*)

Dec. 19—President Sékou Touré sends a message to U.N. Secretary General Thant appealing for aid against what is reported to be a planned attack by Portugal against Guinea.

### INDIA

(See also *Pakistan*)

Dec. 7—Foreign Ministry spokesmen deny reports from Pakistan that Indian police and civilians killed 300 Pakistanis and wounded 700 in clashes in India.

Dec. 15—The Supreme Court declares illegal a September 6 presidential ruling which stripped princes and maharajas of special privileges and pensions.

Dec. 27—Parliament is dissolved by order of Prime Minister Indira Gandhi's Cabinet because of rightist opposition to her economic and social programs. New elections for the lower house will be held a year ahead of schedule, probably in early March, 1971.

### ISRAEL

(See also *Intl, Middle East Crisis; U.S.S.R.*)

Dec. 25—Meeting in special session, the *Knesset* asks the U.S.S.R. to cancel the death sentences of 2 Soviet Jews convicted of a hijacking plot.

Dec. 28—The Israeli Cabinet votes unanimously to resume indirect peace talks with the U.A.R. at the U.N.

### ITALY

Dec. 15—Thousands of students demonstrate and strikes paralyze the nation as demands are pressed for social reforms by the government.

### IVORY COAST

Dec. 12—It is announced that the U.S. Agency for International Development has donated \$720,000 to the Ivory Coast's regional center for road maintenance and \$195,000 to the cattle and meat association.

### JAPAN

(See also *U.S., Military*)

Dec. 5—Chobyō Yara, chief executive of the Ryukyu Islands government, says that the U.S. plan to remove nerve gas from Okinawa to Johnston Island is not acceptable to the people of Okinawa; the Okinawans want speedier removal of the nerve gas.

Dec. 20—Rioting Okinawans invade a U.S. Air Force base after a car driven by a U.S. serviceman injures an Okinawan outside the base.

### **KOREA, PEOPLE'S DEMOCRATIC REPUBLIC OF (North)**

Dec. 5—At a meeting in Panmunjom of the Mixed Korea Military Armistice Commission, North Korea demands the return of a North Korean pilot who landed his MIG fighter plane in South Korea on December 3. The North Koreans claim the landing was caused by a navigational error; the South Koreans claim the pilot defected.

### **KOREA, REPUBLIC OF (South)**

Dec. 19—Premier Chung Il Kwon and 19 members of the Cabinet resign; President Chung Hee Park appoints Paik Too Chin as the new Premier.

Dec. 26—President Park reorganizes the leadership of the ruling Democratic Republican party and realigns its 15-member executive committee in preparation for next spring's national elections.

### **LIBYA**

Dec. 22—The Revolutionary Command Council issues a decree announcing the nationalization of all foreign banks in Libya.

### **MEXICO**

Dec. 1—Luis Echeverria Alvarez takes office as the President of Mexico.

### **MOROCCO**

Dec. 19—French Foreign Minister Maurice Schumann ends a 3-day official visit to Morocco; the visit marks the resumption of normal relations between the 2 nations.

### **PAKISTAN**

(See also *India*)

Dec. 5—The government of East Pakistan charges that Indian nationals and policemen killed 300 Pakistanis on December 2 in an attack on a Pakistani enclave in India.

Dec. 9—Incomplete returns in the balloting on December 7 for 300 seats in the National Assembly show that the Awami League, based in East Pakistan and led by Sheik Mujibur Rahman, has captured 151 seats; the Pakistan People's party, which is based in West Pakistan and calls itself Marxist, captured 81 seats. The new National Assembly will draw up a constitution for the nation, which has been under military rule since 1958.

### **POLAND**

Dec. 7—Premier Jozef Cyrankiewicz and West German Chancellor Willy Brandt sign a treaty calling for normalization of relations between the 2 countries and the recognition of the Oder-Neisse line as Poland's western frontier. The treaty must be ratified by both governments.

Dec. 13—Polish newspapers publish an edict from the Council of Ministers announcing price increases on food, fuel and clothing; prices on some major appliances decrease.

Dec. 16—A government communiqué is issued which says that order has been restored in Gdansk, a northern port city, which was torn by 2 days of rioting and arson. The rioting is believed to be the result of announced price increases.

Dec. 17—Anti-government rioting spreads to other northern cities. In a television address, Cyrankiewicz says that 20 persons have been killed in the disorders and that police have been ordered to shoot demonstrators if necessary.

Dec. 18—Disturbances are reported in central and southern cities, and it is reported that yesterday an armored column moved against a crowd in the northern port city of Szczecin.

Dec. 19—Reports from Poland indicate that calm is returning to cities that had been torn by riots.

Dec. 20—Wladyslaw Gomulka resigns as head of the Polish Communist party and is replaced by Edward Gierek. Four other members of the ruling Politburo also resign: Zenon Kliszko, Boleslaw Jaszczuk, Ryszard Strzelecki and Marian Spychalski, the

President of Poland. They are replaced by General Mieczyslaw Moczar, Edward Babiuch, Piotr Jaroszewicz, Stefan Olszowski and Jan Szydlak.

Dec. 22—The state of emergency imposed last week is lifted.

Dec. 23—Jozef Cyrankiewicz resigns as Premier and is replaced by Piotr Jaroszewicz.

## PORTUGAL

(See also *Intl, O.A.U. and U.N.*)

Dec. 2—Speaking to the National Assembly, Premier Marcello Caetano outlines proposed changes in the Portuguese constitution; they include more local autonomy for Portugal's African territories and greater powers for the National Assembly.

## SINGAPORE

Dec. 26—Prime Minister Lee Kuan Yew nominates Dr. Benjamin Henry Sheares as President.

Dec. 30—Parliament unanimously elects Sheares as President.

## SPAIN

Dec. 1—Eugene Beihl, the West German honorary consul, is kidnapped.

Dec. 4—The government declares a 3-month state of emergency in the Basque province of Guipúzcoa, where strikes and demonstrations have protested the court-martial of 15 Basques charged in the killing of a police officer.

Dec. 5—A postcard from Beihl is received by the West German consul general in Bilbao; the card says that Beihl is being held by ETA, a Basque guerrilla organization.

Dec. 14—The Cabinet, meeting in emergency session, issues a decree which gives the police special powers to hold people for up to 6 months without a hearing.

Dec. 25—Eugene Beihl is freed by Basque separatists.

Dec. 28—A military court-martial sentences 6 Basque guerrillas to death for banditry and the killing of a police inspector. 9 others receive prison sentences.

Dec. 30—After Generalissimo Francisco Franco meets with his Cabinet, the death

sentences of the 6 Basque guerrillas are commuted to prison terms.

## SYRIA

Dec. 15—Restrictions on civil liberties are eased under orders issued yesterday by Premier Hafez al-Assad; in addition Syrians will be permitted to travel abroad.

## U.S.S.R.

(See also *U.S., Foreign Policy*)

Dec. 7—The Central Committee of the Soviet Communist party sets March 30, 1971, as the date for the opening of the 24th party congress.

Dec. 8—At the opening session of the 3-day meeting of the Supreme Soviet, the government budget is presented. Defense spending will be kept at \$19.9 billion, the figure in the 1970 budget.

Dec. 20—*Tass* reports that the U.S.S.R. and Communist China have signed an annual agreement on water navigation along the eastern border of the Soviet Union.

Dec. 24—Two defendants found guilty of attempting to hijack a Soviet airliner on June 15, 1970, are sentenced to death; the other 9 are sentenced to prison. Those receiving the death penalty and 7 others are Jews who were trying to emigrate to Israel.

Dec. 27—Unofficial sources in Moscow report that a new trial of 9 Jews charged with "anti-Soviet agitation and organized anti-Soviet activity" has been postponed until January 6. No trial date has been set for another dozen Jews also under arrest.

Dec. 30—The Supreme Court of the Russian Republic commutes the death sentences of the 2 defendants convicted of attempted airplane hijacking December 24.

## U.A.R.

(See also *Intl, Middle East Crisis*)

Dec. 28—President Anwar el-Sadat orders Premier Mahmoud Fawzi to return property confiscated from Egyptians ("sequestered") over the last 10 years.

## UNITED KINGDOM

### Great Britain

Dec. 9—Robert Carr, Secretary of Employ-

ment, meets with leaders of the electrical power workers' unions as slowdowns which began on December 7 continue.

Dec. 12—The Cabinet declares a state of emergency in the nationwide power crisis.

Dec. 14—The electrical unions, under mounting public pressure, call off their slowdown; a fact-finding board will propose a wage settlement.

## UNITED STATES, THE Civil Rights and Race Relations

Dec. 8—A probate judge in Alabama reports that following the filing of a suit by the Justice Department asking state officials to permit the marriage of a white soldier and a Negro woman, the couple were married; the constitution and state laws of Alabama forbid the marriage of whites and Negroes.

Dec. 11—The Justice Department files suit in a federal district court in Alabama charging that the United States Steel Corporation, the United Steelworkers of America, the A.F.L.-C.I.O. and 12 union locals have violated the Civil Rights Act of 1964, which prohibits discrimination in employment.

Dec. 14—The chairman of the U.S. Steel Corporation says that the Justice Department has demanded that the company allocate 50 per cent of its office and clerical jobs in its Fairfield, Alabama, plant to Negroes in the next 5 years and that blacks constitute 40 per cent of all those promoted to management positions during the next 5 years.

## Conservation and Pollution

(See *U.S., Military*)

Dec. 2—Humble Oil Company, Union Oil Company and Continental Oil Company are fined more than \$500,000 in federal court after they plead no contest to charges that they did not place safety valves on some of their offshore oil wells in the Gulf of Mexico.

An Interior Department ban on imports of products from 8 endangered species of whales goes into effect.

Dec. 18—Dr. Jesse L. Steinfeld, Surgeon

General of the U.S. Public Health Service, and William D. Ruckelshaus, administrator of the Environmental Protection Agency, announce an agreement reached yesterday with major soap companies, calling for the removal from detergent products of a chemical that could be harmful to humans.

Dec. 23—The President orders that companies must obtain permits from the Army Corps of Engineers before discharging wastes into any of the nation's waterways.

## Demonstrations and Student Unrest

Dec. 11—A federal grand jury investigating the killing of 2 blacks at Jackson State College, Mississippi, on May 14, concludes its deliberations without returning any indictments or submitting any written report.

## Economy

Dec. 1—The President's Council of Economic Advisers issues a report called a "second inflation alert" which levels criticism at wage and price increases in several industries, notably the construction, automobile and oil industries.

Dec. 4—The Labor Department announces a 5.8 per cent unemployment rate for the month of November.

Dec. 15—The Commerce Department indicates that the Gross National Product has reached an annual rate of \$1 trillion.

Dec. 22—The Chase Manhattan Bank reduces the prime rate on business loans to 6.75 per cent; the Federal Home Loan Bank Board announces that interest rates on conventional new-home mortgages dropped in November to an average of 8.41 per cent from an October average of 8.51 per cent.

## Foreign Policy

(See also *Intl, Middle East Crisis: Arab-Israeli Conflict; U.S., Government*)

Dec. 3—White House press secretary Ronald Ziegler announces that President Richard Nixon has issued new guidelines to prevent the recurrence of an incident on November

23, in which a defecting Soviet seaman was refused political asylum aboard a U.S. Coast Guard cutter.

Dec. 8—King Hussein of Jordan confers with President Nixon and other officials at the White House. Peace negotiations and Jordan's economic and military problems are discussed.

Speaking to a Senate appropriations subcommittee, Secretary of State William Rogers says that the U.S. must assume a long-term program of assistance to Cambodia but insists that the administration is determined to avoid direct military involvement.

Dec. 9—According to *The New York Times*, King Hussein has asked the U.S. for an additional \$125 million in military aid over the next 5 years.

Dec. 10—At a news conference, President Nixon says that he will order the bombing of military targets in North Vietnam if the North Vietnamese increase the level of fighting in South Vietnam as U.S. troops are withdrawn. Referring to his interpretation of an understanding supposedly reached with North Vietnam under President Lyndon B. Johnson's administration, President Nixon says that he will order the bombing of military complexes in North Vietnam if U.S. reconnaissance planes over North Vietnam are fired upon.

Dec. 11—Testifying before the Senate Foreign Relations Committee, Defense Secretary Melvin Laird suggests that North Vietnam's failure to negotiate seriously at the Paris peace talks could justify the renewal of U.S. bombing of North Vietnam.

An agreement on fishing rights off the Middle Atlantic coast of the U.S. is signed by U.S. and Soviet officials.

Israeli Defense Minister Moshe Dayan confers at the White House with President Nixon and Defense Secretary Laird.

The President announces the appointment of Representative George Bush (R., Tex.) as the U.S. delegate to the U.N. to succeed Charles W. Yost.

Dec. 12—The U.S. and Japan sign accords on fishing rights.

Dec. 17—President Nixon confers with British Prime Minister Edward Heath, who arrived in Washington yesterday; a joint appeal is issued for the resumption of the Middle East peace talks under the auspices of Gunnar Jarring, the special U.N. representative to the Middle East.

Dec. 23—Speaking at a news conference, Rogers says that the U.S. might consider a peace-keeping role for itself in the Middle East if such a role were conducted under the auspices of the U.N.

## Government

(See also *Labor*)

Dec. 2—The Senate confirms the appointment of William D. Ruckelshaus as director of the Environmental Protection Agency.

Dec. 3—In a 52-to-41 vote, the Senate defeats an administration request for a \$290-million appropriation in the Transportation Department budget for the development of a supersonic transport airplane. The measure now goes to a Senate-House conference committee.

Dec. 4—Speaking in New York, the President says that he has ordered the Interior Department to assume responsibility for the production of oil and gas on all federal offshore lands; he has also ordered an increase in imports of Canadian oil. The President warns that legislation may be required to change the pattern of collective bargaining in the construction industry where recent wage settlements have been very high.

Dec. 7—The Senate, in a 74-to-1 vote, passes and sends to the President a \$17.7-billion appropriations bill for the Department of Housing and Urban Development and 22 other government agencies. The measure is a substitute for an \$18-billion appropriations bill vetoed by the President in August.

James Farmer, founder of the Congress of Racial Equality and the most prominent Negro in the Nixon administration, resigns as Assistant Secretary for Administration



in the Department of Health, Education and Welfare.

Dec. 9—The House Internal Security Committee issues a list of “radical and/or revolutionary speakers” who have appeared on college campuses over the last 2 years and sends the list to all members of Congress. An earlier court order prohibited the publication of the list.

Dec. 10—In a televised news conference, President Nixon announces the appointment of Donald Rumsfeld, director of the Office of Economic Opportunity, as a counselor to the President; Frank Carlucci 3d, associate director of operations for the antipoverty program, is to become director of O.E.O.

The President says that he will not use the power of the federal government or federal funds to force the integration of housing in the suburbs. (See also *Politics*).

Dec. 12—The text of a critical letter by President Nixon to William W. Scranton, chairman of the Commission on Campus Unrest, is made public. The President says that the maintenance of a peaceful climate on the campus is not the responsibility of the federal government, but the responsibility of the academic community.

The President signs the \$2-billion military construction appropriation bill.

Dec. 14—President Nixon announces that he will nominate John B. Connally, Jr., the former Democratic governor of Texas, to replace David M. Kennedy as Secretary of the Treasury. Kennedy will retain Cabinet rank as Ambassador at Large dealing with international fiscal and monetary matters.

In a 302-to-54 vote, the House passes a resolution which prohibits the courts or anyone else from obstructing the printing and distribution of a list of “radical orators” contained in a House Internal Security Committee report.

Dec. 15—The Food and Drug Administration announces that a minimum of one million cans of tuna fish contaminated by mercury are being withdrawn from the market.

The President signs a measure giving

48,000 acres of Carson National Forest in New Mexico to the Taos Pueblo Indians.

The President signs a measure to increase government spending to promote tourism in the U.S.

Following a 2-year interruption caused by pollution disasters, the Interior Department resumes the leasing of off-shore oil drilling rights.

Dec. 16—President Nixon vetoes a \$9.5-billion employment and manpower bill.

Dec. 17—In a 308-to-60 vote, the House approves and sends to the President an occupational health and safety bill which gives the Secretary of Labor the authority to establish safety standards for factories which come under the interstate commerce clause.

Dec. 19—In a 168-to-104 vote, the House approves and sends to the President a housing measure which contains provisions for the building of new communities and the revitalization of existing city cores.

Dec. 21—Transportation Secretary John Volpe rules that 2 Coast Guard officers who denied asylum to a Soviet sailor should not be court martialed but reprimanded and permitted to retire immediately. (See also *U.S., Foreign Policy*).

Dec. 22—Both houses of Congress pass compromise legislation authorizing \$525 million in supplementary military and economic aid for Asia and the Middle East; the measure, which now goes to the President, restricts him from sending ground combat troops or military advisers to Cambodia.

Congressional action is completed on the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, providing financial aid for persons displaced by federally funded projects.

Congress recesses until December 28.

Dec. 26—“Landmark legislation” providing expanded federal birth control and population research programs is signed by the President at Camp David; he signs 19 other measures passed by the lame-duck session of Congress.

Dec. 28—The House reconvenes.

Dec. 29—The Senate reconvenes.

Dec. 30—The Senate completes congressional action to provide up to \$125 million for the Penn Central Railroad so that it can meet its January payroll.

Dec. 31—The Senate completes congressional action on a compromise 3-year food stamp program.

The House completes congressional action to raise the pay of federal civilian and military employees an average 6.2 per cent.

House and Senate conferees agree to include a repeal of the 1964 Gulf of Tonkin resolution in the foreign military sales authorization bill.

The President signs an act requiring the automobile industry to develop an engine virtually free of pollution within 6 years.

### Labor

Dec. 10—Congress enacts and the President signs a bill which orders the postponement of a nationwide rail strike until March 1 and which provides a 13.5 per cent wage increase retroactive to January 1, 1970.

A nationwide rail strike which began at 12:01 A.M. is called off after about 18 hours; a federal judge had ordered the Brotherhood of Railway and Airline Clerks to pay a fine of \$200,000 a day as long as the strike continued. The other unions involved in the dispute cancelled their strikes earlier in the day.

### Military

(See also *Japan*)

Dec. 4—The Defense Department announces that, probably next month, it will begin to move 13,000 tons of nerve and mustard gas from Okinawa to Johnston Island, a U.S. possession 4,000 miles southeast of Okinawa and 715 miles southwest of Hawaii.

Dec. 12—The Defense Department announces a draft call for January, 1971, of 17,000 men; this will be the highest draft call since April, 1970.

Dec. 16—Defense Department spokesmen announce that U.S. reconnaissance satellites have picked up evidence that the

Soviet Union has slowed construction of long-range nuclear missiles and is dismantling some intermediate-range missiles.

Dec. 18—The Army announces plans to destroy its stock of biological and toxic weapons.

### Politics

Dec. 10—In a televised news conference, the President says that he will support all Republicans who want his support when running for office and that he will not support 3d party candidates against regular Republicans. (See also *Government*.)

Dec. 14—A meeting of Republican governors and governors-elect opens in Sun Valley, Idaho.

### Supreme Court

Dec. 3—According to *The New York Times*, a special House subcommittee investigating the possible impeachment of Justice William O. Douglas has concluded that there are no grounds for impeachment proceedings.

Dec. 15—In a 5-to-4 decision, the Supreme Court rules that hearsay evidence, which would not be admissible in federal trials, may be admitted in state courts.

Dec. 21—In a 5-to-4 decision, the Court upholds the provision of the 1970 voting rights amendment allowing 18-year-old citizens to vote in federal elections, abolishing any residency requirement of more than 30 days and banning literacy tests; the Court declares unconstitutional the provision allowing 18-year-olds to vote in state and local elections.

### VATICAN

Dec. 4—Speaking in Hong Kong, Pope Paul VI directs a message to Chinese people everywhere.

### VIETNAM, REPUBLIC OF (South)

Dec. 4—The Supreme Court elects as its president Tran Van Linh, who is regarded as friendly to President Nguyen Van Thieu.

Dec. 8—Vice President Nguyen Cao Ky returns from a 17-day tour of the U.S.





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